

PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002

MAY 14, 2002.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 4090]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4090) to reauthorize and improve the program of block grants to States for temporary assistance for needy families, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Personal Responsibility, Work, and Family Promotion Act of 2002”.

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.
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TITLE I—TANF

Sec. 101. Purposes.
Sec. 102. Family assistance grants.
Sec. 103. Promotion of family formation and healthy marriage.
Sec. 104. Supplemental grant for population increases in certain States.
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Sec. 106. Contingency fund.
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Sec. 108. Repeal of Federal loan for State welfare programs.
Sec. 109. Universal engagement and family self-sufficiency plan requirements.
Sec. 110. Work participation requirements.
Sec. 111. Maintenance of effort.
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Sec. 113. Data collection and reporting.
Sec. 114. Direct funding and administration by Indian tribes.
Sec. 115. Research, evaluations, and national studies.
Sec. 116. Study by the Census Bureau.
Sec. 117. Definition of assistance.
Sec. 118. Technical corrections.
Sec. 119. Fatherhood program.

TITLE II—CHILD CARE

Sec. 201. Entitlement funding.

TITLE III—CHILD SUPPORT

Sec. 301. Federal matching funds for limited pass through of child support payments to families receiving TANF.
Sec. 302. State option to pass through all child support payments to families that formerly received TANF.
Sec. 303. Mandatory review and adjustment of child support orders for families receiving TANF.
Sec. 304. Mandatory fee for successful child support collection for family that has never received TANF.
Sec. 305. Report on undistributed child support payments.
Sec. 306. Use of new hire information to assist in administration of unemployment compensation programs.
Sec. 307. Decrease in amount of child support arrearage triggering passport denial.
Sec. 308. Use of tax refund intercept program to collect past-due child support on behalf of children who are not minors.
Sec. 309. Garnishment of compensation paid to veterans for service-connected disabilities in order to enforce child support obligations.
Sec. 310. Improving Federal debt collection practices.
Sec. 311. Maintenance of technical assistance funding.
Sec. 312. Maintenance of Federal Parent Locator Service funding.

TITLE IV—CHILD WELFARE

Sec. 401. Extension of authority to approve demonstration projects.
Sec. 402. Elimination of limitation on number of waivers.
Sec. 403. Elimination of limitation on number of States that may be granted waivers to conduct demonstration projects on same topic.
Sec. 404. Elimination of limitation on number of waivers that may be granted to a single State for demonstration projects.
Sec. 405. Streamlined process for consideration of amendments to and extensions of demonstration projects requiring waivers.
Sec. 406. Availability of reports.
Sec. 407. Technical correction.

TITLE V—SUPPLEMENTAL SECURITY INCOME

Sec. 501. Review of State agency blindness and disability determinations.

TITLE VI—BROADENED WAIVER AUTHORITY

Sec. 601. Program integration demonstration projects.

TITLE VII—EFFECTIVE DATE

Sec. 701. Effective date.

SEC. 3. REFERENCES.

Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the amendment or repeal shall be considered to be made to a section or other provision of the Social Security Act.

SEC. 4. FINDINGS.

The Congress makes the following findings:

(1) The Temporary Assistance for Needy Families (TANF) Program established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193) has succeeded in moving families from welfare to work and reducing child poverty.

(A) There has been a dramatic increase in the employment of current and former welfare recipients. The percentage of working recipients reached an all-time high in fiscal years 1999 and 2000. In fiscal year 1999, 33 percent of adult recipients were working, compared to less than 7 percent in fiscal year 1992, and 11 percent in fiscal year 1996. All States met the overall participation rate standard in fiscal year 2000, as did the District of Columbia and Puerto Rico.

(B) Earnings for welfare recipients remaining on the rolls have also increased significantly, as have earnings for female-headed households. The increases have been particularly large for the bottom 2 income quintiles, that is, those women who are most likely to be former or present welfare recipients.

(C) Welfare dependency has plummeted. As of September 2001, 2,103,000 families and 5,333,000 individuals were receiving assistance. Accordingly, the number of families in the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF. These declines have persisted even as unemployment rates have increased: unemployment rates nationwide rose 25 percent, from 3.9 percent in September 2000 to 4.9 percent in September 2001, while welfare caseloads continued to drop by 7 percent.

(D) The child poverty rate continued to decline between 1996 and 2000, falling 21 percent from 20.5 to 16.2 percent. The 2000 child poverty rate is the lowest since 1979. Child poverty rates for African-American and Hispanic children have also fallen dramatically during the past 6 years. African-American child poverty is at the lowest rate on record and Hispanic child poverty has had the largest 4-year decrease on record.

(E) Despite these gains, States have had mixed success in fully engaging welfare recipients in work activities. While all States have met the overall work participation rates required by law, in 2000, in an average month, only about $\frac{1}{3}$ of all families with an adult participated in work activities that were countable toward the State's participation rate. Eight jurisdictions failed to meet the more rigorous 2-parent work requirements, and about 20 States are not subject to the 2-parent requirements, most because they moved their 2-parent cases to separate State programs where they are not subject to a penalty for failing the 2-parent rates.

(2) As a Nation, we have made substantial progress in reducing teen pregnancies and births, slowing increases in nonmarital childbearing, and improving child support collections and paternity establishment.

(A) The teen birth rate has fallen continuously since 1991, down a dramatic 22 percent by 2000. During the period of 1991–2000, teenage birth rates fell in all States and the District of Columbia, Puerto Rico, and the Virgin Islands. Declines also have spanned age, racial, and ethnic groups. There has been success in lowering the birth rate for both younger and older teens. The birth rate for those 15–17 years of age is down 29 percent since 1991, and the rate for those 18 and 19 is down 16 percent. Between 1991 and 2000, teen birth rates declined for all women ages 15–19—white, African American, American Indian, Asian or Pacific Islander, and Hispanic women ages 15–19. The rate for African American teens—until recently the highest—experienced the largest decline, down 31 percent from 1991 to 2000, to reach the lowest rate ever reported for this group. Most births to teens are nonmarital; in 2000, about 73 percent of the births to teens aged 15–19 occurred outside of marriage.

(B) Nonmarital childbearing continued to increase slightly in 2000, however not at the sharp rates of increase seen in recent decades. The birth rate among unmarried women in 2000 was 3.5 percent lower than its peak reached in 1994, while the proportion of births occurring outside of marriage has remained at approximately 33 percent since 1998.

(C) The negative consequences of out-of-wedlock birth on the mother, the child, the family, and society are well documented. These include increased likelihood of welfare dependency, increased risks of low birth weight, poor cognitive development, child abuse and neglect, and teen parenthood, and decreased likelihood of having an intact marriage during adulthood.

(D) An estimated 23,900,000 children do not live with their biological father. 16,000,000 children live with their mother only. These facts are attributable largely to declining marriage rates, increasing divorce rates, and increasing rates of nonmarital births during the latter part of the 20th century.

(E) There has been a dramatic rise in cohabitation as marriages have declined. Only 40 percent of children of cohabiting couples will see their parents marry. Those who do marry experience a 50 percent higher divorce rate. Children in single-parent households and cohabiting households are at much higher risk of child abuse than children in intact married and step-parent families.

(F) Children who live apart from their biological fathers, on average, are more likely to be poor, experience educational, health, emotional, and psychological problems, be victims of child abuse, engage in criminal behavior, and become involved with the juvenile justice system than their peers who live with their married, biological mother and father. A child living in a single-parent family is nearly 5 times as likely to be poor as a child living in a married-couple family. In married-couple families, the child poverty rate is 8.1 percent, in households headed by a single mother, the poverty rate is 39.7 percent.

(G) Since the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, child support collections within the child support enforcement system have grown every year, increasing from \$12,000,000,000 in fiscal year 1996 to nearly \$19,000,000,000 in fiscal year 2001. The number of paternities established or acknowledged in fiscal year 2002 reached an historic high of over 1,500,000—which includes a nearly 100 percent increase through in-hospital acknowledgement programs to 688,510 in 2000 from 349,356 in 1996. Child support collections were made in over 7,000,000 cases in fiscal year 2000, significantly more than the almost 4,000,000 cases having a collection in 1996.

(3) The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 gave States great flexibility in the use of Federal funds to develop innovative programs to help families leave welfare and begin employment and to encourage the formation of 2-parent families.

(A) Total Federal and State TANF expenditures in fiscal year 2000 were \$24,000,000,000, up from \$22,600,000,000 for the previous year. This increased spending is attributable to significant new investments in supportive services in the TANF program, such as child care and activities to support work.

(B) Since the welfare reform effort began there has been a dramatic increase in work participation (including employment, community service, and work experience) among welfare recipients, as well as an unprecedented reduction in the caseload because recipients have left welfare for work.

(C) States are making policy choices and investment decisions best suited to the needs of their citizens.

(i) To expand aid to working families, all States disregard a portion of a family's earned income when determining benefit levels.

(ii) Most States increased the limits on countable assets above the former Aid to Families with Dependent Children (AFDC) program. Every State has increased the vehicle asset level above the prior AFDC limit for a family's primary automobile.

(iii) States are experimenting with programs to promote marriage and father involvement. Over half the States have eliminated restrictions on 2-parent families. Many States use TANF, child support, or State funds to support community-based activities to help fathers become more involved in their children's lives or strengthen relationships between mothers and fathers.

(4) Therefore, it is the sense of the Congress that increasing success in moving families from welfare to work, as well as in promoting healthy marriage and other means of improving child well-being, are very important Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by this Act) is intended to serve these ends.

TITLE I—TANF

SEC. 101. PURPOSES.

Section 401(a) (42 U.S.C. 601(a)) is amended—

- (1) in the matter preceding paragraph (1), by striking “increase” and inserting “improve child well-being by increasing”;
- (2) in paragraph (1), by inserting “and services” after “assistance”;
- (3) in paragraph (2), by striking “parents on government benefits” and inserting “families on government benefits and reduce poverty”; and
- (4) in paragraph (4), by striking “two-parent families” and inserting “healthy, 2-parent married families, and encourage responsible fatherhood”.

SEC. 102. FAMILY ASSISTANCE GRANTS.

(a) **EXTENSION OF AUTHORITY.**—Section 403(a)(1)(A) (42 U.S.C. 603(a)(1)(A)) is amended—

- (1) by striking “1996, 1997, 1998, 1999, 2000, 2001, and 2002” and inserting “2003 through 2007”; and
- (2) by inserting “payable to the State for the fiscal year” before the period.

(b) **STATE FAMILY ASSISTANCE GRANT.**—Section 403(a)(1) (42 U.S.C. 603(a)(1)) is amended by striking subparagraphs (B) through (E) and inserting the following:

“(B) **STATE FAMILY ASSISTANCE GRANT.**—The State family assistance grant payable to a State for a fiscal year shall be the amount that bears the same ratio to the amount specified in subparagraph (C) of this paragraph as the amount required to be paid to the State under this paragraph for fiscal year 2002 (determined without regard to any reduction pursuant to section 412(a)(1)) bears to the total amount required to be paid under this paragraph for fiscal year 2002.

“(C) **APPROPRIATION.**—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$16,566,542,000 for grants under this paragraph.”.

(c) **MATCHING GRANTS FOR THE TERRITORIES.**—Section 1108(b)(2) (42 U.S.C. 1308(b)(2)) is amended by striking “1997 through 2002” and inserting “2003 through 2007”.

SEC. 103. PROMOTION OF FAMILY FORMATION AND HEALTHY MARRIAGE.

(a) **STATE PLANS.**—Section 402(a)(1)(A) (42 U.S.C. 602(a)(1)(A)) is amended by adding at the end the following:

“(vii) Encourage equitable treatment of married, 2-parent families under the program referred to in clause (i).”.

(b) **HEALTHY MARRIAGE PROMOTION GRANTS; REPEAL OF BONUS FOR REDUCTION OF ILLEGITIMACY RATIO.**—Section 403(a)(2) (42 U.S.C. 603(a)(2)) is amended to read as follows:

“(2) **HEALTHY MARRIAGE PROMOTION GRANTS.**—

“(A) **AUTHORITY.**—The Secretary shall award competitive grants to States, territories, and tribal organizations for not more than 50 percent of the cost of developing and implementing innovative programs to promote and support healthy, married, 2-parent families.

“(B) **HEALTHY MARRIAGE PROMOTION ACTIVITIES.**—Funds provided under subparagraph (A) shall be used to support any of the following programs or activities:

“(i) Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health.

“(ii) Education in high schools on the value of marriage, relationship skills, and budgeting.

“(iii) Marriage education, marriage skills, and relationship skills programs, including parenting skills, financial management, conflict resolution, and job and career advancement, for non-married pregnant women and non-married expectant fathers.

“(iv) Pre-marital education and marriage skills training for engaged couples and for couples interested in marriage.

“(v) Marriage enhancement and marriage skills training programs for married couples.

“(vi) Divorce reduction programs that teach relationship skills.

“(vii) Marriage mentoring programs which use married couples as role models and mentors in at-risk communities.

“(viii) Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with any activity described in this subparagraph.

“(C) **APPROPRIATION.**—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$100,000,000 for grants under this paragraph.”.

(c) **COUNTING OF SPENDING ON NON-ELIGIBLE FAMILIES TO PREVENT AND REDUCE INCIDENCE OF OUT-OF-WEDLOCK BIRTHS, ENCOURAGE FORMATION AND MAINTENANCE OF HEALTHY, 2-PARENT MARRIED FAMILIES, OR ENCOURAGE RESPONSIBLE FA-**

THERHOOD.—Section 409(a)(7)(B)(i) (42 U.S.C. 609(a)(7)(B)(i)) is amended by adding at the end the following:

“(V) COUNTING OF SPENDING ON NON-ELIGIBLE FAMILIES TO PREVENT AND REDUCE INCIDENCE OF OUT-OF-WEDLOCK BIRTHS, ENCOURAGE FORMATION AND MAINTENANCE OF HEALTHY, 2-PARENT MARRIED FAMILIES, OR ENCOURAGE RESPONSIBLE FATHERHOOD.—The term ‘qualified State expenditures’ includes the total expenditures by the State during the fiscal year under all State programs for a purpose described in paragraph (3) or (4) of section 401(a).”.

SEC. 104. SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.

Section 403(a)(3)(H) (42 U.S.C. 603(a)(3)(H)) is amended—

- (1) in the subparagraph heading, by striking “OF GRANTS FOR FISCAL YEAR 2002”;
- (2) in clause (i), by striking “fiscal year 2002” and inserting “each of fiscal years 2002 through 2006”;
- (3) in clause (ii), by striking “2002” and inserting “2006”; and
- (4) in clause (iii), by striking “fiscal year 2002” and inserting “each of fiscal years 2002 through 2006”.

SEC. 105. BONUS TO REWARD EMPLOYMENT ACHIEVEMENT.

(a) REALLOCATION OF FUNDING.—Section 403(a)(4) (42 U.S.C. 603(a)(4)) is amended—

- (1) in the paragraph heading, by striking “HIGH PERFORMANCE STATES” and inserting “EMPLOYMENT ACHIEVEMENT”;
- (2) in subparagraph (D)(ii)—
 - (A) in subclause (I), by striking “equals \$200,000,000” and inserting “(other than 2003) equals \$200,000,000, and for bonus year 2003 equals \$100,000,000”; and
 - (B) in subclause (II), by striking “\$1,000,000,000” and inserting “\$900,000,000”; and
- (3) in subparagraph (F), by striking “\$1,000,000,000” and inserting “\$900,000,000”.

(b) BONUS TO REWARD EMPLOYMENT ACHIEVEMENT.—

- (1) IN GENERAL.—Section 403(a)(4) (42 U.S.C. 603(a)(4)) is amended by striking subparagraphs (A) through (F) and inserting the following:

“(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is an employment achievement State.

“(B) AMOUNT OF GRANT.—

“(i) IN GENERAL.—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to an employment achievement State for a bonus year, which shall be based on the performance of the State as determined under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

“(ii) LIMITATION.—The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

“(C) FORMULA FOR MEASURING STATE PERFORMANCE.—

“(i) IN GENERAL.—Subject to clause (ii), not later than October 1, 2003, the Secretary, in consultation with the National Governors Association, the American Public Human Services Association, and the National Conference of State Legislatures, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals of employment entry, job retention, and increased earnings from employment for families receiving assistance under the program, as measured on an absolute basis and on the basis of improvement in State performance.

“(ii) SPECIAL RULE FOR BONUS YEAR 2004.—For the purposes of awarding a bonus under this paragraph for bonus year 2004, the Secretary may measure the performance of a State in fiscal year 2003 using the job entry rate, job retention rate, and earnings gain rate components of the formula developed under section 403(a)(4)(C) as in effect immediately before the effective date of this paragraph.

“(D) DETERMINATION OF STATE PERFORMANCE.—For each bonus year, the Secretary shall—

- “(i) use the formula developed under subparagraph (C) to determine the performance of each eligible State for the fiscal year that precedes the bonus year; and

“(ii) prescribe performance standards in such a manner so as to ensure that—

“(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$100,000,000; and

“(II) the total amount of grants to be made under this paragraph for all bonus years equals \$500,000,000.

“(E) DEFINITIONS.—In this paragraph:

“(i) BONUS YEAR.—The term ‘bonus year’ means each of fiscal years 2004 through 2008.

“(ii) EMPLOYMENT ACHIEVEMENT STATE.—The term ‘employment achievement State’ means, with respect to a bonus year, an eligible State whose performance determined pursuant to subparagraph (D)(i) for the fiscal year preceding the bonus year equals or exceeds the performance standards prescribed under subparagraph (D)(ii) for such preceding fiscal year.

“(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 2004 through 2008 \$500,000,000 for grants under this paragraph.

“(G) GRANTS FOR TRIBAL ORGANIZATIONS.—This paragraph shall apply with respect to tribal organizations in the same manner in which this paragraph applies with respect to States. In determining the criteria under which to make grants to tribal organizations under this paragraph, the Secretary shall consult with tribal organizations.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on October 1, 2003.

SEC. 106. CONTINGENCY FUND.

(a) DEPOSITS INTO FUND.—Section 403(b)(2) (42 U.S.C. 603(b)(2)) is amended—

(1) by striking “1997, 1998, 1999, 2000, 2001, and 2002” and inserting “2003 through 2007”; and

(2) by striking all that follows “\$2,000,000,000” and inserting a period.

(b) GRANTS.—Section 403(b)(3)(C)(ii) (42 U.S.C. 603(b)(3)(C)(ii)) is amended by striking “fiscal years 1997 through 2002” and inserting “fiscal years 2003 through 2007”.

(c) DEFINITION OF NEEDY STATE.—Clauses (i) and (ii) of section 403(b)(5)(B) (42 U.S.C. 603(b)(5)(B)) are amended by inserting after “1996” the following: “, and the Food Stamp Act of 1977 as in effect during the corresponding 3-month period in the fiscal year preceding such most recently concluded 3-month period.”

(d) ANNUAL RECONCILIATION: FEDERAL MATCHING OF STATE EXPENDITURES ABOVE “MAINTENANCE OF EFFORT” LEVEL.—Section 403(b)(6) (42 U.S.C. 603(b)(6)) is amended—

(1) in subparagraph (A)(ii)—

(A) by adding “and” at the end of subclause (I);

(B) by striking “, and” at the end of subclause (II) and inserting a period; and

(C) by striking subclause (III);

(2) in subparagraph (B)(i)(II), by striking all that follows “section 409(a)(7)(B)(iii)” and inserting a period;

(3) by amending subparagraph (B)(ii)(I) to read as follows:

“(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for the fiscal year; plus”; and

(4) by striking subparagraph (C).

(e) CONSIDERATION OF CERTAIN CHILD CARE EXPENDITURES IN DETERMINING STATE COMPLIANCE WITH CONTINGENCY FUND MAINTENANCE OF EFFORT REQUIREMENT.—Section 409(a)(10) (42 U.S.C. 609(a)(10)) is amended—

(1) by striking “(other than the expenditures described in subclause (I)(bb) of that paragraph)) under the State program funded under this part” and inserting a close parenthesis; and

(2) by striking “excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994.”

SEC. 107. USE OF FUNDS.

(a) GENERAL RULES.—Section 404(a)(2) (42 U.S.C. 604(a)(2)) is amended by striking “in any manner that” and inserting “for any purposes or activities for which”.

(b) TREATMENT OF INTERSTATE IMMIGRANTS.—

(1) STATE PLAN PROVISION.—Section 402(a)(1)(B) (42 U.S.C. 602(a)(1)(B)) is amended by striking clause (i) and redesignating clauses (ii) through (iv) as clauses (i) through (iii), respectively.

(2) USE OF FUNDS.—Section 404 (42 U.S.C. 604) is amended by striking subsection (c).

(c) INCREASE IN AMOUNT TRANSFERABLE TO CHILD CARE.—Section 404(d)(1) (42 U.S.C. 604(d)(1)) is amended by striking “30” and inserting “50”.

(d) INCREASE IN AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—Section 404(d)(2)(B) (42 U.S.C. 604(d)(2)(B)) is amended to read as follows:

“(B) APPLICABLE PERCENT.—For purposes of subparagraph (A), the applicable percent is 10 percent for fiscal year 2003 and each succeeding fiscal year.”.

(e) CLARIFICATION OF AUTHORITY OF STATES TO USE TANF FUNDS CARRIED OVER FROM PRIOR YEARS TO PROVIDE TANF BENEFITS AND SERVICES.—Section 404(e) (42 U.S.C. 604(e)) is amended to read as follows:

“(e) AUTHORITY TO CARRYOVER OR RESERVE CERTAIN AMOUNTS FOR BENEFITS OR SERVICES OR FOR FUTURE CONTINGENCIES.—

“(1) CARRYOVER.—A State or tribe may use a grant made to the State or tribe under this part for any fiscal year to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part.

“(2) CONTINGENCY RESERVE.—A State or tribe may designate any portion of a grant made to the State or tribe under this part as a contingency reserve for future needs, and may use any amount so designated to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part. If a State or tribe so designates a portion of such a grant, the State shall, on an annual basis, include in its report under section 411(a) the amount so designated.”.

SEC. 108. REPEAL OF FEDERAL LOAN FOR STATE WELFARE PROGRAMS.

(a) REPEAL.—Section 406 (42 U.S.C. 606) is repealed.

(b) CONFORMING AMENDMENTS.—

(1) Section 409(a) (42 U.S.C. 609(a)) is amended by striking paragraph (6).

(2) Section 412 (42 U.S.C. 612) is amended by striking subsection (f) and redesignating subsections (g) through (i) as subsections (f) through (h), respectively.

(3) Section 1108(a)(2) (42 U.S.C. 1308(a)(2)) is amended by striking “406,”.

SEC. 109. UNIVERSAL ENGAGEMENT AND FAMILY SELF-SUFFICIENCY PLAN REQUIREMENTS.

(a) MODIFICATION OF STATE PLAN REQUIREMENTS.—Section 402(a)(1)(A) (42 U.S.C. 602(a)(1)(A)) is amended by striking clauses (ii) and (iii) and inserting the following:

“(ii) Require a parent or caretaker receiving assistance under the program to engage in work or alternative self-sufficiency activities (as defined by the State), consistent with section 407(e)(2).

“(iii) Require families receiving assistance under the program to engage in activities in accordance with family self-sufficiency plans developed pursuant to section 408(b).”.

(b) ESTABLISHMENT OF FAMILY SELF-SUFFICIENCY PLANS.—

(1) IN GENERAL.—Section 408(b) (42 U.S.C. 608(b)) is amended to read as follows:

“(b) FAMILY SELF-SUFFICIENCY PLANS.—

“(1) IN GENERAL.—A State to which a grant is made under section 403 shall—

“(A) make an initial assessment, in the manner deemed appropriate by the State, of the skills, prior work experience, and employability of each recipient of assistance under the program;

“(B) establish for each family that includes a work-eligible individual receiving assistance under the State program funded under this part a self-sufficiency plan that specifies appropriate activities described in the State plan submitted pursuant to section 402, including direct work activities as appropriate designed to assist the family in achieving their maximum degree of self-sufficiency, and that provides for the ongoing participation of the individual in the activities;

“(C) require, at a minimum, each member of the family who is a work-eligible individual (as defined in section 407(b)(2)(C)) to participate in activities in accordance with the self-sufficiency plan;

“(D) monitor the participation of such family members in the activities and the progress of the family toward self-sufficiency;

“(E) regularly review the self-sufficiency plan; and

“(F) revise the self-sufficiency plan as appropriate.

“(2) TIMING.—The State shall comply with paragraph (1) with respect to a family—

“(A) in the case of a family that, as of October 1, 2002, is not receiving assistance from the State program funded under this part, not later than

60 days after the family first receives assistance on the basis of the most recent application for the assistance; or

“(B) in the case of a family that, as of such date, is receiving the assistance, not later than 12 months after the date of the enactment of this subsection.”.

(2) PENALTY FOR FAILURE TO ESTABLISH FAMILY SELF-SUFFICIENCY PLAN.—Section 409(a)(3) (42 U.S.C. 609(a)(3)) is amended—

(A) in the paragraph heading, by inserting “OR ESTABLISH FAMILY SELF-SUFFICIENCY PLAN” after “RATES”; and

(B) in subparagraph (A), by inserting “or 408(b)” after “407(a)”.

SEC. 110. WORK PARTICIPATION REQUIREMENTS.

(a) IN GENERAL.—Section 407 (42 U.S.C. 607) is amended by striking all that precedes subsection (b)(3) and inserting the following:

“SEC. 407. WORK PARTICIPATION REQUIREMENTS.

“(a) PARTICIPATION RATE REQUIREMENTS.—A State to which a grant is made under section 403 for a fiscal year shall achieve a minimum participation rate equal to not less than—

- “(1) 50 percent for fiscal year 2003;
- “(2) 55 percent for fiscal year 2004;
- “(3) 60 percent for fiscal year 2005;
- “(4) 65 percent for fiscal year 2006; and
- “(5) 70 percent for fiscal year 2007 and each succeeding fiscal year.

“(b) CALCULATION OF PARTICIPATION RATES.—

“(1) AVERAGE MONTHLY RATE.—For purposes of subsection (a), the participation rate of a State for a fiscal year is the average of the participation rates of the State for each month in the fiscal year.

“(2) MONTHLY PARTICIPATION RATES; INCORPORATION OF 40-HOUR WORK WEEK STANDARD.—

“(A) IN GENERAL.—For purposes of paragraph (1), the participation rate of a State for a month is—

- “(i) the total number of countable hours (as defined in subsection (c)) with respect to the counted families for the State for the month; divided by
- “(ii) 160 multiplied by the number of counted families for the State for the month.

“(B) COUNTED FAMILIES DEFINED.—

“(i) IN GENERAL.—In subparagraph (A), the term ‘counted family’ means, with respect to a State and a month, a family that includes a work-eligible individual and that receives assistance in the month under the State program funded under this part, subject to clause (ii).

“(ii) STATE OPTION TO EXCLUDE CERTAIN FAMILIES.—At the option of a State, the term ‘counted family’ shall not include—

“(I) a family in the first month for which the family receives assistance from a State program funded under this part on the basis of the most recent application for such assistance; or

“(II) on a case-by-case basis, a family in which the youngest child has not attained 12 months of age.

“(iii) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—At the option of a State, the term ‘counted family’ may include families in the State that are receiving assistance under a tribal family assistance plan approved under section 412 or under a tribal work program to which funds are provided under this part.

“(C) WORK-ELIGIBLE INDIVIDUAL DEFINED.—In this section, the term ‘work-eligible individual’ means an individual—

- “(i) who is married or a single head of household; and
- “(ii) whose needs are (or, but for sanctions under this part that have been in effect for more than 3 months (whether or not consecutive) in the preceding 12 months or under part D, would be) included in determining the amount of cash assistance to be provided to the family under the State program funded under this part.”.

(b) RECALIBRATION OF CASELOAD REDUCTION CREDIT.—Section 407(b)(3)(A)(ii) (42 U.S.C. 607(b)(3)(A)(ii)) is amended to read as follows:

“(ii) the average monthly number of families that received assistance under the State program funded under this part during—

- “(I) if the fiscal year is fiscal year 2003, fiscal year 1996;
- “(II) if the fiscal year is fiscal year 2004, fiscal year 1998;
- “(III) if the fiscal year is fiscal year 2005, fiscal year 2001;

“(IV) if the fiscal year is fiscal year 2006, fiscal year 2002; or

“(V) if the fiscal year is fiscal year 2007, fiscal year 2003.”

(c) SUPERACHIEVER CREDIT.—Section 407(b) (42 U.S.C. 607(b)) is amended by striking paragraphs (4) and (5) and inserting the following:

“(4) SUPERACHIEVER CREDIT.—

“(A) IN GENERAL.—The participation rate, determined under paragraphs (1) and (2) of this subsection, of a superachiever State for a fiscal year shall be increased by the lesser of—

“(i) the amount (if any) of the superachiever credit applicable to the State; or

“(ii) the number of percentage points (if any) by which the minimum participation rate required by subsection (a) for the fiscal year exceeds 50 percent.

“(B) SUPERACHIEVER STATE.—For purposes of subparagraph (A), a State is a superachiever State if the State caseload for fiscal year 2001 has declined by at least 60 percent from the State caseload for fiscal year 1995.

“(C) AMOUNT OF CREDIT.—The superachiever credit applicable to a State is the number of percentage points (if any) by which the decline referred to in subparagraph (B) exceeds 60 percent.

“(D) DEFINITIONS.—In this paragraph:

“(i) STATE CASELOAD FOR FISCAL YEAR 2001.—The term ‘State caseload for fiscal year 2001’ means the average monthly number of families that received assistance during fiscal year 2001 under the State program funded under this part.

“(ii) STATE CASELOAD FOR FISCAL YEAR 1995.—The term ‘State caseload for fiscal year 1995’ means the average monthly number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.”

(d) COUNTABLE HOURS.—Section 407 of such Act (42 U.S.C. 607) is amended by striking subsections (c) and (d) and inserting the following:

“(c) COUNTABLE HOURS.—

“(1) DEFINITION.—In subsection (b)(2), the term ‘countable hours’ means, with respect to a family for a month, the total number of hours in the month in which any member of the family who is a work-eligible individual is engaged in a direct work activity or other activities specified by the State (excluding an activity that does not address a purpose specified in section 401(a)), subject to the other provisions of this subsection.

“(2) LIMITATIONS.—Subject to such regulations as the Secretary may prescribe:

“(A) MINIMUM WEEKLY AVERAGE OF 24 HOURS OF DIRECT WORK ACTIVITIES REQUIRED.—If the work-eligible individuals in a family are engaged in a direct work activity for an average total of fewer than 24 hours per week in a month, then the number of countable hours with respect to the family for the month shall be zero.

“(B) MAXIMUM WEEKLY AVERAGE OF 16 HOURS OF OTHER ACTIVITIES.—An average of not more than 16 hours per week of activities specified by the State (subject to the exclusion described in paragraph (1)) may be considered countable hours in a month with respect to a family.

“(3) SPECIAL RULES.—For purposes of paragraph (1):

“(A) PARTICIPATION IN QUALIFIED ACTIVITIES.—

“(i) IN GENERAL.—If, with the approval of the State, the work-eligible individuals in a family are engaged in 1 or more qualified activities for an average total of at least 24 hours per week in a month, then all such engagement in the month shall be considered engagement in a direct work activity, subject to clause (iii).

“(ii) QUALIFIED ACTIVITY DEFINED.—The term ‘qualified activity’ means an activity specified by the State (subject to the exclusion described in paragraph (1)) that meets such standards and criteria as the State may specify, including—

“(I) substance abuse counseling or treatment;

“(II) rehabilitation treatment and services;

“(III) work-related education or training directed effectively at enabling the family member to work; or

“(IV) job search or job readiness assistance.

“(iii) LIMITATION.—

“(I) IN GENERAL.—Except as provided in subclause (II), clause (i) shall not apply to a family for more than 3 months in any period of 24 consecutive months.

“(II) SPECIAL RULE APPLICABLE TO EDUCATION AND TRAINING.—A State may, on a case-by-case basis, apply clause (i) to a work-eligible individual so that participation by the individual in education or training, if needed to permit the individual to complete a certificate program or other specific course of education in preparation for specific employment to fill a known job need in a local area, may be considered countable hours with respect to the family of the individual for not more than 4 months.

“(B) SCHOOL ATTENDANCE BY TEEN HEAD OF HOUSEHOLD.—The work-eligible members of a family shall be considered to be engaged in a direct work activity for an average of 40 hours per week in a month if the family includes an individual who is married, or is a single head of household, who has not attained 20 years of age, and the individual—

“(i) maintains satisfactory attendance at secondary school or the equivalent in the month; or

“(ii) participates in education directly related to employment for an average of at least 20 hours per week in the month.

“(d) DIRECT WORK ACTIVITY.—In this section, the term ‘direct work activity’ means—

- “(1) unsubsidized employment;
- “(2) subsidized private sector employment;
- “(3) subsidized public sector employment;
- “(4) on-the-job training;
- “(5) supervised work experience; or
- “(6) supervised community service.”

(e) PENALTIES AGAINST INDIVIDUALS.—Section 407(e)(1) (42 U.S.C. 607(e)(1)) is amended to read as follows:

“(1) REDUCTION OR TERMINATION OF ASSISTANCE.—

“(A) IN GENERAL.—Except as provided in paragraph (2), if an individual in a family receiving assistance under a State program funded under this part fails to engage in activities required in accordance with this section, or other activities required by the State under the program, and the family does not otherwise engage in activities in accordance with the self-sufficiency plan established for the family pursuant to section 408(b), the State shall—

“(i) if the failure is partial or persists for not more than 1 month—

“(I) reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the failure occurs; or

“(II) terminate all assistance to the family, subject to such good cause exceptions as the State may establish; or

“(ii) if the failure is total and persists for at least 2 consecutive months, terminate all cash payments to the family including qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for at least 1 month and thereafter until the individual resumes full participation in the activities, subject to such good cause exceptions as the State may establish.

“(B) SPECIAL RULE.—In the event of a conflict between a requirement of clause (i)(II) or (ii) of subparagraph (A) and a requirement of a State constitution to provide assistance to needy parents and children, the State constitutional requirement shall control.”.

(f) CONFORMING AMENDMENTS.—

(1) Section 404(k)(1)(D) (42 U.S.C. 604(k)(1)(D)) is amended by striking “work activities (as defined in section 407(d))” and inserting “direct work activities”.

(2) Section 407(f) (42 U.S.C. 607(f)) is amended in each of paragraphs (1) and (2) by striking “work activity described in subsection (d)” and inserting “direct work activity”.

(3) The heading of section 409(a)(14) (42 U.S.C. 609(a)(14)) is amended by inserting “OR REFUSING TO ENGAGE IN ACTIVITIES UNDER A FAMILY SELF-SUFFICIENCY PLAN” after “WORK”.

SEC. 111. MAINTENANCE OF EFFORT.

(a) IN GENERAL.—Section 409(a)(7) (42 U.S.C. 609(a)(7)) is amended—

(1) in subparagraph (A) by striking “fiscal year 1998, 1999, 2000, 2001, 2002, or 2003” and inserting “fiscal year 2003, 2004, 2005, 2006, 2007 or 2008”; and

(2) in subparagraph (B)(ii)—

(A) by inserting “preceding” before “fiscal year”; and

(B) by striking “for fiscal years 1997 through 2002.”.

(b) STATE SPENDING ON PROMOTING HEALTHY MARRIAGE.—

(1) IN GENERAL.—Section 404 (42 U.S.C. 604) is amended by adding at the end the following:

“(1) MARRIAGE PROMOTION.—A State, territory, or tribal organization to which a grant is made under section 403(a)(2) may use a grant made to the State, territory, or tribal organization under any other provision of section 403 for marriage promotion activities, and the amount of any such grant so used shall be considered State funds for purposes of section 403(a)(2).”

(2) FEDERAL TANF FUNDS USED FOR MARRIAGE PROMOTION DISREGARDED FOR PURPOSES OF MAINTENANCE OF EFFORT REQUIREMENT.—Section 409(a)(7)(B)(i) (42 U.S.C. 609(a)(7)(B)(i)), as amended by section 103(c) of this Act, is amended by adding at the end the following:

“(VI) EXCLUSION OF FEDERAL TANF FUNDS USED FOR MARRIAGE PROMOTION ACTIVITIES.—Such term does not include the amount of any grant made to the State under section 403 that is expended for a marriage promotion activity.”

SEC. 112. PERFORMANCE IMPROVEMENT.

(a) STATE PLANS.—Section 402(a) (42 U.S.C. 602(a)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by redesignating clauses (vi) and (vii) (as added by section 103(a) of this Act) as clauses (vii) and (viii); and

(ii) by striking clause (v) and inserting the following:

“(v) Establish annual, specific numerical performance goals, measures, measurement methodology, and plans to improve outcomes with respect to each of the 4 program purposes described in section 401(a).

“(vi) Describe any strategies the State may be undertaking to address—

“(I) employment retention and advancement for recipients of assistance under the program, including placement into high-demand jobs, consistent with the criteria used by the Secretary in establishing performance targets in regulations prescribed under section 403(a)(4)(B);

“(II) efforts to reduce teen pregnancy;

“(III) services for struggling and noncompliant families, and for clients with special problems; and

“(IV) program integration, including the extent to which employment and training services under the program are provided through the One-Stop Career Center System created under the Workforce Investment Act of 1998, and the extent to which former recipients of such assistance have access to additional core, intensive, or training services funded through such Act.”; and

(B) in subparagraph (B), by striking clause (iii) (as so redesignated by section 107(b)(1) of this Act) and inserting the following:

“(iii) The document shall describe strategies and programs the State is undertaking to engage religious organizations in the provision of services funded under this part and efforts related to section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

“(iv) The document shall describe strategies to improve program management and performance.”; and

(2) in paragraph (4), by inserting “and tribal” after “that local”.

(b) CONSULTATION WITH STATE REGARDING PLAN AND DESIGN OF TRIBAL PROGRAMS.—Section 412(b)(1) (42 U.S.C. 612(b)(1)) is amended—

(1) by striking “and” at the end of subparagraph (E);

(2) by striking the period at the end of subparagraph (F) and inserting “; and”; and

(3) by adding at the end the following:

“(G) provides an assurance that the State in which the tribe is located has been consulted regarding the plan and its design.”

(c) PERFORMANCE MEASURES.—Section 413 (42 U.S.C. 613) is amended by adding at the end the following:

“(k) PERFORMANCE IMPROVEMENT.—The Secretary, in consultation with the National Governors’ Association, the National Conference of State Legislatures, and the American Public Human Services Association, shall develop uniform performance measures designed to assess the degree of effectiveness, and the degree of improvement, of State programs funded under this part in accomplishing the purposes of this part.”

(d) ANNUAL RANKING OF STATES.—Section 413(d)(1) (42 U.S.C. 613(d)(1)) is amended by striking “long-term private sector jobs” and inserting “private sector jobs, the success of the recipients in retaining employment, the ability of the recipients to increase their wages”.

SEC. 113. DATA COLLECTION AND REPORTING.

(a) CONTENTS OF REPORT.—Section 411(a)(1)(A) (42 U.S.C. 611(a)(1)(A)) is amended—

- (1) in clause (vii), by inserting “and minor parent” after “of each adult”;
- (2) in clause (viii), by striking “and educational level”;
- (3) in clause (ix), by striking “, and if the latter 2, the amount received”;
- (4) in clause (x)—
 - (A) by striking “each type of”; and
 - (B) by inserting before the period “and, if applicable, the reason for receipt of the assistance for a total of more than 60 months”;
- (5) in clause (xi), by striking the subclauses and inserting the following:
 - “(I) Subsidized private sector employment.
 - “(II) Unsubsidized employment.
 - “(III) Public sector employment, supervised work experience, or supervised community service.
 - “(IV) On-the-job training.
 - “(V) Job search and placement.
 - “(VI) Training.
 - “(VII) Education.
 - “(VIII) Other activities directed at the purposes of this part, as specified in the State plan submitted pursuant to section 402.”;
- (6) in clause (xii), by inserting “and progress toward universal engagement” after “participation rates”;
- (7) in clause (xiii), by striking “type and” before “amount of assistance”;
- (8) in clause (xvi), by striking subclause (II) and redesignating subclauses (III) through (V) as subclauses (II) through (IV), respectively; and
- (9) by adding at the end the following:
 - “(xviii) The date the family first received assistance from the State program on the basis of the most recent application for such assistance.
 - “(xix) Whether a self-sufficiency plan is established for the family in accordance with section 408(b).
 - “(xx) With respect to any child in the family, the marital status of the parents at the birth of the child, and if the parents were not then married, whether the paternity of the child has been established.”.

(b) USE OF SAMPLES.—Section 411(a)(1)(B) (42 U.S.C. 611(a)(1)(B)) is amended—

- (1) in clause (i)—
 - (A) by striking “a sample” and inserting “samples”; and
 - (B) by inserting before the period “, except that the Secretary may designate core data elements that must be reported on all families”; and
- (2) in clause (ii), by striking “funded under this part” and inserting “described in subparagraph (A)”.

(c) REPORT ON FAMILIES THAT BECOME INELIGIBLE TO RECEIVE ASSISTANCE.—Section 411(a) (42 U.S.C. 611(a)) is amended—

- (1) by striking paragraph (5);
- (2) by redesignating paragraph (6) as paragraph (5); and
- (3) by inserting after paragraph (5) (as so redesignated) the following:

“(6) REPORT ON FAMILIES THAT BECOME INELIGIBLE TO RECEIVE ASSISTANCE.—The report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter the number of families and total number of individuals that, during the month, became ineligible to receive assistance under the State program funded under this part (broken down by the number of families that become so ineligible due to earnings, changes in family composition that result in increased earnings, sanctions, time limits, or other specified reasons).”.

(d) REGULATIONS.—Section 411(a)(7) (42 U.S.C. 611(a)(7)) is amended—

- (1) by inserting “and to collect the necessary data” before “with respect to which reports”;
- (2) by striking “subsection” and inserting “section”; and
- (3) by striking “in defining the data elements” and all that follows and inserting “, the National Governors’ Association, the American Public Human Services Association, the National Conference of State Legislatures, and others in defining the data elements.”.

(e) ADDITIONAL REPORTS BY STATES.—Section 411 (42 U.S.C. 611) is amended—

- (1) by redesignating subsection (b) as subsection (e); and
- (2) by inserting after subsection (a) the following:

“(b) ANNUAL REPORTS ON PROGRAM CHARACTERISTICS.—Not later than 90 days after the end of fiscal year 2004 and each succeeding fiscal year, each eligible State shall submit to the Secretary a report on the characteristics of the State program funded under this part and other State programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)). The report shall include, with respect to each such program, the program name, a description of program activities, the program purpose, the program eligibility criteria, the sources of program funding, the number of program beneficiaries, sanction policies, and any program work requirements.

“(c) MONTHLY REPORTS ON CASELOAD.—Not later than 3 months after the end of a calendar month that begins 1 year or more after the enactment of this subsection, each eligible State shall submit to the Secretary report on the number of families and total number of individuals receiving assistance in the calendar month under the State program funded under this part.

“(d) ANNUAL REPORT ON PERFORMANCE IMPROVEMENT.—Beginning with fiscal year 2004, not later than January 1 of each fiscal year, each eligible State shall submit to the Secretary a report on achievement and improvement during the preceding fiscal year under the numerical performance goals and measures under the State program funded under this part with respect to each of the matters described in section 402(a)(1)(A)(v).”.

(f) ANNUAL REPORTS TO CONGRESS BY THE SECRETARY.—Section 411(e), as so redesignated by subsection (e) of this section, is amended—

(1) in the matter preceding paragraph (1), by striking “and each fiscal year thereafter” and inserting “and by July 1 of each fiscal year thereafter”;

(2) in paragraph (2), by striking “families applying for assistance,” and by striking the last comma; and

(3) in paragraph (3), by inserting “and other programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i))” before the semicolon.

(g) INCREASED ANALYSIS OF STATE SINGLE AUDIT REPORTS.—Section 411 (42 U.S.C. 611) is amended by adding at the end the following:

“(f) INCREASED ANALYSIS OF STATE SINGLE AUDIT REPORTS.—

“(1) IN GENERAL.—Within 3 months after a State submits to the Secretary a report pursuant to section 7502(a)(1)(A) of title 31, United States Code, the Secretary shall analyze the report for the purpose of identifying the extent and nature of problems related to the oversight by the State of nongovernmental entities with respect to contracts entered into by such entities with the State program funded under this part, and determining what additional actions may be appropriate to help prevent and correct the problems.

“(2) INCLUSION OF PROGRAM OVERSIGHT SECTION IN ANNUAL REPORT TO THE CONGRESS.—The Secretary shall include in each report under subsection (a) a section on oversight of State programs funded under this part, including findings on the extent and nature of the problems referred to in paragraph (1), actions taken to resolve the problems, and to the extent the Secretary deems appropriate make recommendations on changes needed to resolve the problems.”.

SEC. 114. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.

(a) TRIBAL FAMILY ASSISTANCE GRANT.—Section 412(a)(1)(A) (42 U.S.C. 612(a)(1)(A)) is amended by striking “1997, 1998, 1999, 2000, 2001, and 2002” and inserting “2003 through 2007”.

(b) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—Section 412(a)(2)(A) (42 U.S.C. 612(a)(2)(A)) is amended by striking “1997, 1998, 1999, 2000, 2001, and 2002” and inserting “2003 through 2007”.

SEC. 115. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.

(a) SECRETARY’S FUND FOR RESEARCH, DEMONSTRATIONS, AND TECHNICAL ASSISTANCE.—Section 413 (42 U.S.C. 613), as amended by section 112(c) of this Act, is further amended by adding at the end the following:

“(1) FUNDING FOR RESEARCH, DEMONSTRATIONS, AND TECHNICAL ASSISTANCE.—

“(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$102,000,000 for each of fiscal years 2003 through 2007, which shall be available to the Secretary for the purpose of conducting and supporting research and demonstration projects by public or private entities, and providing technical assistance to States, Indian tribal organizations, and such other entities as the Secretary may specify that are receiving a grant under this part, which shall be expended primarily on activities described in section 403(a)(2)(B), and which shall be in addition to any other funds made available under this part.

“(2) SET ASIDE FOR DEMONSTRATION PROJECTS FOR COORDINATION OF PROVISION OF CHILD WELFARE AND TANF SERVICES TO TRIBAL FAMILIES AT RISK OF CHILD ABUSE OR NEGLECT.—

“(A) IN GENERAL.—Of the amounts made available under paragraph (1) for a fiscal year, \$2,000,000 shall be awarded on a competitive basis to fund demonstration projects designed to test the effectiveness of tribal governments or tribal consortia in coordinating the provision to tribal families at risk of child abuse or neglect of child welfare services and services under tribal programs funded under this part.

“(B) USE OF FUNDS.—A grant made to such a project shall be used—

“(i) to improve case management for families eligible for assistance from such a tribal program;

“(ii) for supportive services and assistance to tribal children in out-of-home placements and the tribal families caring for such children, including families who adopt such children; and

“(iii) for prevention services and assistance to tribal families at risk of child abuse and neglect.

“(C) REPORTS.—The Secretary may require a recipient of funds awarded under this paragraph to provide the Secretary with such information as the Secretary deems relevant to enable the Secretary to facilitate and oversee the administration of any project for which funds are provided under this paragraph.”.

(b) FUNDING OF STUDIES AND DEMONSTRATIONS.—Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended in the matter preceding subparagraph (A) by striking “1997 through 2002” and inserting “2003 through 2007”.

(c) REPORT ON ENFORCEMENT OF CERTAIN AFFIDAVITS OF SUPPORT AND SPONSOR DEEMING.—Not later than March 31, 2004, the Secretary of Health and Human Services, in consultation with the Attorney General, shall submit to the Congress a report on the enforcement of affidavits of support and sponsor deeming as required by section 421, 422, and 432 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 116. STUDY BY THE CENSUS BUREAU.

(a) IN GENERAL.—Section 414(a) (42 U.S.C. 614(a)) is amended to read as follows:

“(a) IN GENERAL.—The Bureau of the Census shall implement a new longitudinal survey of program dynamics, developed in consultation with the Secretary and made available to interested parties, to allow for the assessment of the outcomes of continued welfare reform on the economic and child well-being of low-income families with children, including those who received assistance or services from a State program funded under this part, and, to the extent possible, shall provide State representative samples. The content of the survey should include such information as may be necessary to examine the issues of out-of-wedlock childbearing, marriage, welfare dependency, the beginning and ending of spells of assistance, work, earnings and employment stability, and the well-being of children.”.

(b) APPROPRIATION.—Section 414(b) (42 U.S.C. 614(b)) is amended by striking “1996,” and all that follows through “2002” and inserting “2003 through 2007”.

SEC. 117. DEFINITION OF ASSISTANCE.

(a) IN GENERAL.—Section 419 (42 U.S.C. 619) is amended by adding at the end the following:

“(6) ASSISTANCE.—

“(A) IN GENERAL.—The term ‘assistance’ means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation or child care).

“(B) EXCEPTION.—The term ‘assistance’ does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State in accordance with regulations prescribed by the Secretary).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 404(a)(1) (42 U.S.C. 604(a)(1)) is amended by striking “assistance” and inserting “aid”.

(2) Section 404(f) (42 U.S.C. 604(f)) is amended by striking “assistance” and inserting “benefits or services”.

(3) Section 408(a)(5)(B)(i) (42 U.S.C. 608(a)(5)(B)(i)) is amended in the heading by striking “ASSISTANCE” and inserting “AID”.

(4) Section 413(d)(2) (42 U.S.C. 613(d)(2)) is amended by striking “assistance” and inserting “aid”.

SEC. 118. TECHNICAL CORRECTIONS.

(a) Section 409(c)(2) (42 U.S.C. 609(c)(2)) is amended by inserting a comma after “appropriate”.

(b) Section 411(a)(1)(A)(ii)(III) (42 U.S.C. 611(a)(1)(A)(ii)(III)) is amended by striking the last close parenthesis.

(c) Section 413(j)(2)(A) (42 U.S.C. 613(j)(2)(A)) is amended by striking “section” and inserting “sections”.

(d)(1) Section 413 (42 U.S.C. 613) is amended by striking subsection (g) and redesignating subsections (h) through (j) and subsections (k) and (l) (as added by sections 112(c) and 115(a) of this Act, respectively) as subsections (g) through (k), respectively.

(2) Each of the following provisions is amended by striking “413(j)” and inserting “413(i)”:

(A) Section 403(a)(5)(A)(ii)(III) (42 U.S.C. 603(a)(5)(A)(ii)(III)).

(B) Section 403(a)(5)(F) (42 U.S.C. 603(a)(5)(F)).

(C) Section 403(a)(5)(G)(ii) (42 U.S.C. 603(a)(5)(G)(ii)).

(D) Section 412(a)(3)(B)(iv) (42 U.S.C. 612(a)(3)(B)(iv)).

SEC. 119. FATHERHOOD PROGRAM.

(a) **SHORT TITLE.**—This section may be cited as the “Promotion and Support of Responsible Fatherhood and Healthy Marriage Act of 2002”.

(b) **FATHERHOOD PROGRAM.**—

(1) **IN GENERAL.**—Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193) is amended by adding at the end the following:

“SEC. 117. FATHERHOOD PROGRAM.

“(a) **IN GENERAL.**—Title IV (42 U.S.C. 601–679b) is amended by inserting after part B the following:

‘PART C—FATHERHOOD PROGRAM

‘SEC. 441. FINDINGS AND PURPOSES.

“(a) **FINDINGS.**—The Congress finds that there is substantial evidence strongly indicating the urgent need to promote and support involved, committed, and responsible fatherhood, and to encourage and support healthy marriages between parents raising children, including data demonstrating the following:

‘(1) In approximately 90 percent of cases where a parent is absent, that parent is the father.

‘(2) By some estimates, 60 percent of children born in the 1990’s will spend a significant portion of their childhood in a home without a father.

‘(3) Nearly 75 percent of children in single-parent homes will experience poverty before they are 11 years old, compared with only 20 percent of children in 2-parent families.

‘(4) Low income is positively correlated with children’s difficulties with education, social adjustment, and delinquency, and single-parent households constitute a disproportionate share of low-income households.

‘(5) Where families (whether intact or with a parent absent) are living in poverty, a significant factor is the father’s lack of job skills.

‘(6) Children raised in 2-parent married families, on average, fare better as a group in key areas, including better school performance, reduced rates of substance abuse, crime, and delinquency, fewer health, emotional, and behavioral problems, lower rates of teenage sexual activity, less risk of abuse or neglect, and lower risk of teen suicide.

‘(7) Committed and responsible fathering during infancy and early childhood contributes to the development of emotional security, curiosity, and math and verbal skills.

‘(8) An estimated 24,000,000 children (33.5 percent) live apart from their biological father.

‘(9) A recent national survey indicates that of all children under age 18 not living with their biological father, 29 percent had not seen their father even once in the last 12 months.

‘(b) **PURPOSES.**—The purposes of this part are:

‘(1) To provide for projects and activities by public entities and by nonprofit community entities, including religious organizations, designed to test promising approaches to accomplishing the following objectives:

‘(A) Promoting responsible, caring, and effective parenting through counseling, mentoring, and parenting education, dissemination of educational materials and information on parenting skills, encouragement of positive father involvement, including the positive involvement of nonresident fathers, and other methods.

‘(B) Enhancing the abilities and commitment of unemployed or low-income fathers to provide material support for their families and to avoid or leave welfare programs by assisting them to take full advantage of education, job training, and job search programs, to improve work habits and work skills, to secure career advancement by activities such as outreach and information dissemination, coordination, as appropriate, with employment services and job training programs, including the One-Stop delivery system established under title I of the Workforce Investment Act of 1998, encouragement and support of timely payment of current child support and regular payment toward past due child support obligations in appropriate cases, and other methods.

‘(C) Improving fathers’ ability to effectively manage family business affairs by means such as education, counseling, and mentoring in matters including household management, budgeting, banking, and handling of financial transactions, time management, and home maintenance.

‘(D) Encouraging and supporting healthy marriages and married fatherhood through such activities as premarital education, including the use of premarital inventories, marriage preparation programs, skills-based marriage education programs, marital therapy, couples counseling, divorce education and reduction programs, divorce mediation and counseling, relationship skills enhancement programs, including those designed to reduce child abuse and domestic violence, and dissemination of information about the benefits of marriage for both parents and children.

‘(2) Through the projects and activities described in paragraph (1), to improve outcomes for children with respect to measures such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide.

‘(3) To evaluate the effectiveness of various approaches and to disseminate findings concerning outcomes and other information in order to encourage and facilitate the replication of effective approaches to accomplishing these objectives.

‘SEC. 442. DEFINITIONS.

‘In this part, the terms “Indian tribe” and “tribal organization” have the meanings given them in subsections (e) and (l), respectively, of section 4 of the Indian Self-Determination and Education Assistance Act.

‘SEC. 443. COMPETITIVE GRANTS FOR SERVICE PROJECTS.

‘(a) IN GENERAL.—The Secretary may make grants for fiscal years 2003 through 2007 to public and nonprofit community entities, including religious organizations, and to Indian tribes and tribal organizations, for demonstration service projects and activities designed to test the effectiveness of various approaches to accomplish the objectives specified in section 441(b)(1).

‘(b) ELIGIBILITY CRITERIA FOR FULL SERVICE GRANTS.—In order to be eligible for a grant under this section, except as specified in subsection (c), an entity shall submit an application to the Secretary containing the following:

‘(1) PROJECT DESCRIPTION.—A statement including—

‘(A) a description of the project and how it will be carried out, including the geographical area to be covered and the number and characteristics of clients to be served, and how it will address each of the 4 objectives specified in section 441(b)(1); and

‘(B) a description of the methods to be used by the entity or its contractor to assess the extent to which the project was successful in accomplishing its specific objectives and the general objectives specified in section 441(b)(1).

‘(2) EXPERIENCE AND QUALIFICATIONS.—A demonstration of ability to carry out the project, by means such as demonstration of experience in successfully carrying out projects of similar design and scope, and such other information as the Secretary may find necessary to demonstrate the entity’s capacity to carry out the project, including the entity’s ability to provide the non-Federal share of project resources.

‘(3) ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE.—A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.

‘(4) ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY.—A commitment to make available to each individual participating in the

project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

‘(5) COORDINATION WITH SPECIFIED PROGRAMS.—An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs under parts A, B, and D of this title, including programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

‘(6) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

‘(7) SELF-INITIATED EVALUATION.—If the entity elects to contract for independent evaluation of the project (part or all of the cost of which may be paid for using grant funds), a commitment to submit to the Secretary a copy of the evaluation report within 30 days after completion of the report and not more than 1 year after completion of the project.

‘(8) COOPERATION WITH SECRETARY’S OVERSIGHT AND EVALUATION.—An agreement to cooperate with the Secretary’s evaluation of projects assisted under this section, by means including random assignment of clients to service recipient and control groups, if determined by the Secretary to be appropriate, and affording the Secretary access to the project and to project-related records and documents, staff, and clients.

‘(c) ELIGIBILITY CRITERIA FOR LIMITED PURPOSE GRANTS.—In order to be eligible for a grant under this section in an amount under \$25,000 per fiscal year, an entity shall submit an application to the Secretary containing the following:

‘(1) PROJECT DESCRIPTION.—A description of the project and how it will be carried out, including the number and characteristics of clients to be served, the proposed duration of the project, and how it will address at least 1 of the 4 objectives specified in section 441(b)(1).

‘(2) QUALIFICATIONS.—Such information as the Secretary may require as to the capacity of the entity to carry out the project, including any previous experience with similar activities.

‘(3) COORDINATION WITH RELATED PROGRAMS.—As required by the Secretary in appropriate cases, an undertaking to coordinate and cooperate with State and local entities responsible for specific programs relating to the objectives of the project including, as appropriate, jobs programs and programs serving children and families.

‘(4) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

‘(5) COOPERATION WITH SECRETARY’S OVERSIGHT AND EVALUATION.—An agreement to cooperate with the Secretary’s evaluation of projects assisted under this section, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.

‘(d) CONSIDERATIONS IN AWARDING GRANTS.—

‘(1) DIVERSITY OF PROJECTS.—In awarding grants under this section, the Secretary shall seek to achieve a balance among entities of differing sizes, entities in differing geographic areas, entities in urban and in rural areas, and entities employing differing methods of achieving the purposes of this section, including working with the State agency responsible for the administration of part D to help fathers satisfy child support arrearage obligations.

‘(2) PREFERENCE FOR PROJECTS SERVING LOW-INCOME FATHERS.—In awarding grants under this section, the Secretary may give preference to applications for projects in which a majority of the clients to be served are low-income fathers.

‘(e) FEDERAL SHARE.—

‘(1) IN GENERAL.—Grants for a project under this section for a fiscal year shall be available for a share of the cost of such project in such fiscal year equal to—

‘(A) up to 80 percent (or up to 90 percent, if the entity demonstrates to the Secretary’s satisfaction circumstances limiting the entity’s ability to secure non-Federal resources) in the case of a project under subsection (b); and

‘(B) up to 100 percent, in the case of a project under subsection (c).

‘(2) NON-FEDERAL SHARE.—The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal share, the Secretary may at-

tribute fair market value to goods, services, and facilities contributed from non-Federal sources.

‘SEC. 444. MULTICITY, MULTISTATE DEMONSTRATION PROJECTS.

‘(a) IN GENERAL.—The Secretary may make grants under this section for fiscal years 2003 through 2007 to eligible entities (as specified in subsection (b)) for 2 multicity, multistate projects demonstrating approaches to achieving the objectives specified in section 441(b)(1). One of the projects shall test the use of married couples to deliver program services.

‘(b) ELIGIBLE ENTITIES.—An entity eligible for a grant under this section must be a national nonprofit fatherhood promotion organization that meets the following requirements:

‘(1) EXPERIENCE WITH FATHERHOOD PROGRAMS.—The organization must have substantial experience in designing and successfully conducting programs that meet the purposes described in section 441.

‘(2) EXPERIENCE WITH MULTICITY, MULTISTATE PROGRAMS AND GOVERNMENT COORDINATION.—The organization must have experience in simultaneously conducting such programs in more than 1 major metropolitan area in more than 1 State and in coordinating such programs, where appropriate, with State and local government agencies and private, nonprofit agencies (including community-based and religious organizations), including State or local agencies responsible for child support enforcement and workforce development.

‘(c) APPLICATION REQUIREMENTS.—In order to be eligible for a grant under this section, an entity must submit to the Secretary an application that includes the following:

‘(1) QUALIFICATIONS.—

‘(A) ELIGIBLE ENTITY.—A demonstration that the entity meets the requirements of subsection (b).

‘(B) OTHER.—Such other information as the Secretary may find necessary to demonstrate the entity’s capacity to carry out the project, including the entity’s ability to provide the non-Federal share of project resources.

‘(2) PROJECT DESCRIPTION.—A description of and commitments concerning the project design, including the following:

‘(A) IN GENERAL.—A detailed description of the proposed project design and how it will be carried out, which shall—

‘(i) provide for the project to be conducted in at least 3 major metropolitan areas;

‘(ii) state how it will address each of the 4 objectives specified in section 441(b)(1);

‘(iii) demonstrate that there is a sufficient number of potential clients to allow for the random selection of individuals to participate in the project and for comparisons with appropriate control groups composed of individuals who have not participated in such projects; and

‘(iv) demonstrate that the project is designed to direct a majority of project resources to activities serving low-income fathers (but the project need not make services available on a means-tested basis).

‘(B) OVERSIGHT, EVALUATION, AND ADJUSTMENT COMPONENT.—An agreement that the entity—

‘(i) in consultation with the evaluator selected pursuant to section 445, and as required by the Secretary, will modify the project design, initially and (if necessary) subsequently throughout the duration of the project, in order to facilitate ongoing and final oversight and evaluation of project operation and outcomes (by means including, to the maximum extent feasible, random assignment of clients to service recipient and control groups), and to provide for mid-course adjustments in project design indicated by interim evaluations;

‘(ii) will submit to the Secretary revised descriptions of the project design as modified in accordance with clause (i); and

‘(iii) will cooperate fully with the Secretary’s ongoing oversight and ongoing and final evaluation of the project, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.

‘(3) ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE.—A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.

‘(4) ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY.—A commitment to make available to each individual participating in the

project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

‘(5) COORDINATION WITH SPECIFIED PROGRAMS.—An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs funded under parts A, B, and D of this title, programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

‘(6) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits (in addition to those required under the preceding provisions of paragraph (2)) as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

‘(d) FEDERAL SHARE.—

‘(1) IN GENERAL.—Grants for a project under this section for a fiscal year shall be available for up to 80 percent of the cost of such project in such fiscal year.

‘(2) NON-FEDERAL SHARE.—The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal share, the Secretary may attribute fair market value to goods, services, and facilities contributed from non-Federal sources.

‘SEC. 445. EVALUATION.

‘(a) IN GENERAL.—The Secretary, directly or by contract or cooperative agreement, shall evaluate the effectiveness of service projects funded under sections 443 and 444 from the standpoint of the purposes specified in section 441(b)(1).

‘(b) EVALUATION METHODOLOGY.—Evaluations under this section shall—

‘(1) include, to the maximum extent feasible, random assignment of clients to service delivery and control groups and other appropriate comparisons of groups of individuals receiving and not receiving services;

‘(2) describe and measure the effectiveness of the projects in achieving their specific project goals; and

‘(3) describe and assess, as appropriate, the impact of such projects on marriage, parenting, domestic violence, child abuse and neglect, money management, employment and earnings, payment of child support, and child well-being, health, and education.

‘(c) EVALUATION REPORTS.—The Secretary shall publish the following reports on the results of the evaluation:

‘(1) An implementation evaluation report covering the first 24 months of the activities under this part to be completed by 36 months after initiation of such activities.

‘(2) A final report on the evaluation to be completed by September 30, 2010.

‘SEC. 446. PROJECTS OF NATIONAL SIGNIFICANCE.

‘The Secretary is authorized, by grant, contract, or cooperative agreement, to carry out projects and activities of national significance relating to fatherhood promotion, including—

‘(1) COLLECTION AND DISSEMINATION OF INFORMATION.—Assisting States, communities, and private entities, including religious organizations, in efforts to promote and support marriage and responsible fatherhood by collecting, evaluating, developing, and making available (through the Internet and by other means) to all interested parties information regarding approaches to accomplishing the objectives specified in section 441(b)(1).

‘(2) MEDIA CAMPAIGN.—Developing, promoting, and distributing to interested States, local governments, public agencies, and private nonprofit organizations, including charitable and religious organizations, a media campaign that promotes and encourages involved, committed, and responsible fatherhood and married fatherhood.

‘(3) TECHNICAL ASSISTANCE.—Providing technical assistance, including consultation and training, to public and private entities, including community organizations and faith-based organizations, in the implementation of local fatherhood promotion programs.

‘(4) RESEARCH.—Conducting research related to the purposes of this part.

‘SEC. 447. NONDISCRIMINATION.

‘The projects and activities assisted under this part shall be available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and noncustodial fa-

thers, with particular attention to low-income fathers, and to mothers and expectant mothers on the same basis as to fathers.

‘SEC. 448. AUTHORIZATION OF APPROPRIATIONS; RESERVATION FOR CERTAIN PURPOSE.

‘(a) AUTHORIZATION.—There are authorized to be appropriated \$20,000,000 for each of fiscal years 2003 through 2007 to carry out the provisions of this part.

‘(b) RESERVATION.—Of the amount appropriated under this section for each fiscal year, not more than 15 percent shall be available for the costs of the multicounty, multicounty, multistate demonstration projects under section 444, evaluations under section 445, and projects of national significance under section 446.’.

“(b) INAPPLICABILITY OF EFFECTIVE DATE PROVISIONS.—Section 116 shall not apply to the amendment made by subsection (a) of this section.”.

(2) CLERICAL AMENDMENT.—Section 2 of such Act is amended in the table of contents by inserting after the item relating to section 116 the following new item:

“Sec. 117.Fatherhood program.”.

TITLE II—CHILD CARE

SEC. 201. ENTITLEMENT FUNDING.

Section 418(a)(3)(F) (42 U.S.C. 618(a)(3)(F)) is amended to read as follows:

“(F) \$2,717,000,000 for each of fiscal years 2002 through 2007.”.

TITLE III—CHILD SUPPORT

SEC. 301. FEDERAL MATCHING FUNDS FOR LIMITED PASS THROUGH OF CHILD SUPPORT PAYMENTS TO FAMILIES RECEIVING TANF.

(a) IN GENERAL.—Section 457(a) (42 U.S.C. 657(a)) is amended—

(1) in paragraph (1)(A), by inserting “subject to paragraph (7)” before the semicolon; and

(2) by adding at the end the following:

“(7) FEDERAL MATCHING FUNDS FOR LIMITED PASS THROUGH OF CHILD SUPPORT PAYMENTS TO FAMILIES RECEIVING TANF.—Notwithstanding paragraph (1), a State shall not be required to pay to the Federal Government the Federal share of an amount collected during a month on behalf of a family that is a recipient of assistance under the State program funded under part A, to the extent that—

“(A) the State distributes the amount to the family;

“(B) the total of the amounts so distributed to the family during the month—

“(i) exceeds the amount (if any) that, as of December 31, 2001, was required under State law to be distributed to a family under paragraph (1)(B); and

“(ii) does not exceed the greater of—

“(I) \$100; or

“(II) \$50 plus the amount described in clause (i); and

“(C) the amount is disregarded in determining the amount and type of assistance provided to the family under the State program funded under part A.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts distributed on or after October 1, 2004.

SEC. 302. STATE OPTION TO PASS THROUGH ALL CHILD SUPPORT PAYMENTS TO FAMILIES THAT FORMERLY RECEIVED TANF.

(a) IN GENERAL.—Section 457(a) (42 U.S.C. 657(a)), as amended by section 301 of this Act, is amended—

(1) in paragraph (2)(B), in the matter preceding clause (i), by inserting “, except as provided in paragraph (8),” after “shall”; and

(2) by adding at the end the following:

“(8) STATE OPTION TO PASS THROUGH ALL CHILD SUPPORT PAYMENTS TO FAMILIES THAT FORMERLY RECEIVED TANF.—In lieu of applying paragraph (2) to any family described in paragraph (2), a State may distribute to the family any amount collected during a month on behalf of the family.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts distributed on or after October 1, 2004.

SEC. 303. MANDATORY REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS FOR FAMILIES RECEIVING TANF.

- (a) **IN GENERAL.**—Section 466(a)(10)(A)(i) (42 U.S.C. 666(a)(10)(A)(i)) is amended—
- (1) by striking “parent, or,” and inserting “parent or”; and
 - (2) by striking “upon the request of the State agency under the State plan or of either parent.”.
- (b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on October 1, 2004.

SEC. 304. MANDATORY FEE FOR SUCCESSFUL CHILD SUPPORT COLLECTION FOR FAMILY THAT HAS NEVER RECEIVED TANF.

- (a) **IN GENERAL.**—Section 454(6)(B) (42 U.S.C. 654(6)(B)) is amended—
- (1) by inserting “(i)” after “(B)”;
 - (2) by redesignating clauses (i) and (ii) as subclauses (I) and (II), respectively;
 - (3) by adding “and” after the semicolon; and
 - (4) by adding after and below the end the following new clause:

“(ii) in the case of an individual who has never received assistance under a State program funded under part A and for whom the State has collected at least \$500 of support, the State shall impose an annual fee of \$25 for each case in which services are furnished, which shall be retained by the State from support collected on behalf of the individual (but not from the 1st \$500 so collected), paid by the individual applying for the services, recovered from the absent parent, or paid by the State out of its own funds (the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and shall be considered income to the program);”.
- (b) **CONFORMING AMENDMENT.**—Section 457(a)(3) (42 U.S.C. 657(a)(3)) is amended to read as follows:
- “(3) **FAMILIES THAT NEVER RECEIVED ASSISTANCE.**—In the case of any other family, the State shall distribute to the family the portion of the amount so collected that remains after withholding any fee pursuant to section 454(6)(B)(ii).”.
- (c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on October 1, 2003.

SEC. 305. REPORT ON UNDISTRIBUTED CHILD SUPPORT PAYMENTS.

Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the procedures that the States use generally to locate custodial parents for whom child support has been collected but not yet distributed. The report shall include an estimate of the total amount of such undistributed child support and the average length of time it takes for such child support to be distributed. To the extent the Secretary deems appropriate, the Secretary shall include in the report recommendations as to whether additional procedures should be established at the State or Federal level to expedite the payment of undistributed child support.

SEC. 306. USE OF NEW HIRE INFORMATION TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.

- (a) **IN GENERAL.**—Section 453(j) (42 U.S.C. 653(j)) is amended by adding at the end the following:
- “(7) **INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.**—
- “(A) **IN GENERAL.**—If a State agency responsible for the administration of an unemployment compensation program under Federal or State law transmits to the Secretary the name and social security account number of an individual, the Secretary shall, if the information in the National Directory of New Hires indicates that the individual may be employed, disclose to the State agency the name, address, and employer identification number of any putative employer of the individual, subject to this paragraph.
- “(B) **CONDITION ON DISCLOSURE.**—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.
- “(C) **USE OF INFORMATION.**—A State agency may use information provided under this paragraph only for purposes of administering a program referred to in subparagraph (A).”.
- (b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on October 1, 2003.

SEC. 307. DECREASE IN AMOUNT OF CHILD SUPPORT ARREARAGE TRIGGERING PASSPORT DENIAL.

(a) **IN GENERAL.**—Section 452(k)(1) (42 U.S.C. 652(k)(1)) is amended by striking “\$5,000” and inserting “\$2,500”.

(b) **CONFORMING AMENDMENT.**—Section 454(31) (42 U.S.C. 654(31)) is amended by striking “\$5,000” and inserting “\$2,500”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on October 1, 2003.

SEC. 308. USE OF TAX REFUND INTERCEPT PROGRAM TO COLLECT PAST-DUE CHILD SUPPORT ON BEHALF OF CHILDREN WHO ARE NOT MINORS.

(a) **IN GENERAL.**—Section 464 (42 U.S.C. 664) is amended—

(1) in subsection (a)(2)(A), by striking “(as that term is defined for purposes of this paragraph under subsection (c))”; and

(2) in subsection (c)—

(A) in paragraph (1)—

(i) by striking “(1) Except as provided in paragraph (2), as used in” and inserting “In”; and

(ii) by inserting “(whether or not a minor)” after “a child” each place it appears; and

(B) by striking paragraphs (2) and (3).

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on October 1, 2004.

SEC. 309. GARNISHMENT OF COMPENSATION PAID TO VETERANS FOR SERVICE-CONNECTED DISABILITIES IN ORDER TO ENFORCE CHILD SUPPORT OBLIGATIONS.

(a) **IN GENERAL.**—Section 459(h) (42 U.S.C. 659(h)) is amended—

(1) in paragraph (1)(A)(ii)(V), by striking all that follows “Armed Forces” and inserting a semicolon; and

(2) by adding at the end the following:

“(3) **LIMITATIONS WITH RESPECT TO COMPENSATION PAID TO VETERANS FOR SERVICE-CONNECTED DISABILITIES.**—Notwithstanding any other provision of this section:

“(A) Compensation described in paragraph (1)(A)(ii)(V) shall not be subject to withholding pursuant to this section—

“(i) for payment of alimony; or

“(ii) for payment of child support if the individual is fewer than 60 days in arrears in payment of the support.

“(B) Not more than 50 percent of any payment of compensation described in paragraph (1)(A)(ii)(V) may be withheld pursuant to this section.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on October 1, 2004.

SEC. 310. IMPROVING FEDERAL DEBT COLLECTION PRACTICES.

Section 3716(h)(3) of title 31, United States Code, is amended to read as follows:

“(3) In applying this subsection with respect to any debt owed to a State, other than past due support being enforced by the State, subsection (c)(3)(A) shall not apply. Subsection (c)(3)(A) shall apply with respect to past due support being enforced by the State notwithstanding any other provision of law, including sections 207 and 1631(d)(1) of the Social Security Act (42 U.S.C. 407 and 1383(d)(1)), section 413(b) of Public law 91–173 (30 U.S.C. 923(b)), and section 14 of the Act of August 29, 1935 (45 U.S.C. 231m).”.

SEC. 311. MAINTENANCE OF TECHNICAL ASSISTANCE FUNDING.

Section 452(j) (42 U.S.C. 652(j)) is amended by inserting “or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater,” before “which shall be available”.

SEC. 312. MAINTENANCE OF FEDERAL PARENT LOCATOR SERVICE FUNDING.

Section 453(o) (42 U.S.C. 653(o)) is amended—

(1) in the 1st sentence, by inserting “or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater,” before “which shall be available”; and

(2) in the 2nd sentence, by striking “for each of fiscal years 1997 through 2001”.

TITLE IV—CHILD WELFARE

SEC. 401. EXTENSION OF AUTHORITY TO APPROVE DEMONSTRATION PROJECTS.

Section 1130(a)(2) (42 U.S.C. 1320a–9(a)(2)) is amended by striking “2002” and inserting “2007”.

SEC. 402. ELIMINATION OF LIMITATION ON NUMBER OF WAIVERS.

Section 1130(a)(2) (42 U.S.C. 1320a–9(a)(2)) is amended by striking “not more than 10”.

SEC. 403. ELIMINATION OF LIMITATION ON NUMBER OF STATES THAT MAY BE GRANTED WAIVERS TO CONDUCT DEMONSTRATION PROJECTS ON SAME TOPIC.

Section 1130 (42 U.S.C. 1320a–9) is amended by adding at the end the following:
 “(h) NO LIMIT ON NUMBER OF STATES THAT MAY BE GRANTED WAIVERS TO CONDUCT SAME OR SIMILAR DEMONSTRATION PROJECTS.—The Secretary shall not refuse to grant a waiver to a State under this section on the grounds that a purpose of the waiver or of the demonstration project for which the waiver is necessary would be the same as or similar to a purpose of another waiver or project that is or may be conducted under this section.”.

SEC. 404. ELIMINATION OF LIMITATION ON NUMBER OF WAIVERS THAT MAY BE GRANTED TO A SINGLE STATE FOR DEMONSTRATION PROJECTS.

Section 1130 (42 U.S.C. 1320a–9) is further amended by adding at the end the following:

“(i) NO LIMIT ON NUMBER OF WAIVERS GRANTED TO, OR DEMONSTRATION PROJECTS THAT MAY BE CONDUCTED BY, A SINGLE STATE.—The Secretary shall not impose any limit on the number of waivers that may be granted to a State, or the number of demonstration projects that a State may be authorized to conduct, under this section.”.

SEC. 405. STREAMLINED PROCESS FOR CONSIDERATION OF AMENDMENTS TO AND EXTENSIONS OF DEMONSTRATION PROJECTS REQUIRING WAIVERS.

Section 1130 (42 U.S.C. 1320a–9) is further amended by adding at the end the following:

“(j) STREAMLINED PROCESS FOR CONSIDERATION OF AMENDMENTS AND EXTENSIONS.—The Secretary shall develop a streamlined process for consideration of amendments and extensions proposed by States to demonstration projects conducted under this section.”.

SEC. 406. AVAILABILITY OF REPORTS.

Section 1130 (42 U.S.C. 1320a–9) is further amended by adding at the end the following:

“(k) AVAILABILITY OF REPORTS.—The Secretary shall make available to any State or other interested party any report provided to the Secretary under subsection (f)(2), and any evaluation or report made by the Secretary with respect to a demonstration project conducted under this section, with a focus on information that may promote best practices and program improvements.”.

SEC. 407. TECHNICAL CORRECTION.

Section 1130(b)(1) (42 U.S.C. 1320a–9(b)(1)) is amended by striking “422(b)(9)” and inserting “422(b)(10)”.

TITLE V—SUPPLEMENTAL SECURITY INCOME

SEC. 501. REVIEW OF STATE AGENCY BLINDNESS AND DISABILITY DETERMINATIONS.

Section 1633 (42 U.S.C. 1383b) is amended by adding at the end the following:
 “(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner of Social Security shall review such a determination before any action is taken to implement the determination.

“(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

“(i) at least 20 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2003;

“(ii) at least 40 percent of all such determinations that are made in fiscal year 2004; and

- “(iii) at least 50 percent of all such determinations that are made in fiscal year 2005 or thereafter.
- “(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.”.

TITLE VI—BROADENED WAIVER AUTHORITY

SEC. 601. PROGRAM INTEGRATION DEMONSTRATION PROJECTS.

(a) **PURPOSE.**—The purpose of this section is to establish a program of demonstration projects in a State or portion of a State to integrate multiple public assistance, workforce development, and other programs, for the purpose of supporting working individuals and families, helping families escape welfare dependency, promoting child well-being, or helping build stronger families, using innovative approaches to strengthen service systems and provide more coordinated and effective service delivery.

(b) **DEFINITIONS.**—In this section:

(1) **ADMINISTERING SECRETARY.**—The term “administering Secretary” means, with respect to a qualified program, the head of the Federal agency responsible for administering the program.

(2) **QUALIFIED PROGRAM.**—The term “qualified program” means—

- (A) a program under part A of title IV of the Social Security Act; or
- (B) the program under title XX of such Act.

(c) **APPLICATION REQUIREMENTS.**—The head of a State entity or of a sub-State entity administering 2 or more qualified programs proposed to be included in a demonstration project under this section shall (or, if the project is proposed to include qualified programs administered by 2 or more such entities, the heads of the administering entities (each of whom shall be considered an applicant for purposes of this section) shall jointly) submit to the administering Secretary of each such program an application that contains the following:

(1) **PROGRAMS INCLUDED.**—A statement identifying each qualified program to be included in the project, and describing how the purposes of each such program will be achieved by the project.

(2) **POPULATION SERVED.**—A statement identifying the population to be served by the project and specifying the eligibility criteria to be used.

(3) **DESCRIPTION AND JUSTIFICATION.**—A detailed description of the project, including—

(A) a description of how the project is expected to improve or enhance achievement of the purposes of the programs to be included in the project, from the standpoint of quality, of cost-effectiveness, or of both; and

(B) a description of the performance objectives for the project, including any proposed modifications to the performance measures and reporting requirements used in the programs.

(4) **WAIVERS REQUESTED.**—A description of the statutory and regulatory requirements with respect to which a waiver is requested in order to carry out the project, and a justification of the need for each such waiver.

(5) **COST NEUTRALITY.**—Such information and assurances as necessary to establish to the satisfaction of the administering Secretary, in consultation with the Director of the Office of Management and Budget, that the proposed project is reasonably expected to meet the applicable cost neutrality requirements of subsection (d)(4).

(6) **EVALUATION AND REPORTS.**—An assurance that the applicant will conduct ongoing and final evaluations of the project, and make interim and final reports to the administering Secretary, at such times and in such manner as the administering Secretary may require.

(7) **OTHER INFORMATION AND ASSURANCES.**—Such other information and assurances as the administering Secretary may require.

(d) **APPROVAL OF APPLICATIONS.**—

(1) **IN GENERAL.**—The administering Secretary with respect to a qualified program that is identified in an application submitted pursuant to subsection (c) may approve the application and, except as provided in paragraph (2), waive any requirement applicable to the program, to the extent consistent with this section and necessary and appropriate for the conduct of the demonstration project proposed in the application, if the administering Secretary and the Director of the Office of Management and Budget determine that the project—

(A) has a reasonable likelihood of achieving the objectives of the programs to be included in the project;

(B) may reasonably be expected to meet the applicable cost neutrality requirements of paragraph (4), as determined by the Director of the Office of Management and Budget; and

(C) includes the integration of 2 or more qualified programs.

(2) PROVISIONS EXCLUDED FROM WAIVER AUTHORITY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), a waiver shall not be granted under paragraph (1) with respect to any provision of law relating to—

- (i) civil rights or prohibition of discrimination;
- (ii) purposes or goals of any program;
- (iii) maintenance of effort requirements;
- (iv) health or safety;
- (v) labor standards under the Fair Labor Standards Act of 1938; or
- (vi) environmental protection.

(B) EXCEPTION FOR CONSOLIDATION AND UNIFORMITY OF STATE ADMINISTRATIVE PROCEDURES FOR ADDRESSING CERTAIN COMPLAINTS OR GRIEVANCES.—Subparagraph (A) shall not be construed to prevent a waiver from being granted to enable an applicant that is or includes State to consolidate and provide for uniform State administrative procedures for addressing complaints or grievances regarding public health or safety, labor standards, civil rights, occupational health or safety, or environmental protection.

(3) AGREEMENT OF EACH ADMINISTERING SECRETARY REQUIRED.—

(A) IN GENERAL.—An applicant may not conduct a demonstration project under this section unless each administering Secretary with respect to any program proposed to be included in the project has approved the application to conduct the project.

(B) AGREEMENT WITH RESPECT TO FUNDING AND IMPLEMENTATION.—Before approving an application to conduct a demonstration project under this section, an administering Secretary shall have in place an agreement with the applicant with respect to the payment of funds and responsibilities required of the administering Secretary with respect to the project.

(4) COST-NEUTRALITY REQUIREMENT.—

(A) GENERAL RULE.—Notwithstanding any other provision of law (except subparagraph (B)), the total of the amounts that may be paid by the Federal Government for a fiscal year with respect to the programs in the State in which an entity conducting a demonstration project under this section is located that are affected by the project shall not exceed the estimated total amount that the Federal Government would have paid for the fiscal year with respect to the programs if the project had not been conducted, as determined by the Director of the Office of Management and Budget.

(B) SPECIAL RULE.—If an applicant submits to the Director of the Office of Management and Budget a request to apply the rules of this subparagraph to the programs in the State in which the applicant is located that are affected by a demonstration project proposed in an application submitted by the applicant pursuant to this section, during such period of not more than 5 consecutive fiscal years in which the project is in effect, and the Director determines, on the basis of supporting information provided by the applicant, to grant the request, then, notwithstanding any other provision of law, the total of the amounts that may be paid by the Federal Government for the period with respect to the programs shall not exceed the estimated total amount that the Federal Government would have paid for the period with respect to the programs if the project had not been conducted.

(5) 90-DAY APPROVAL DEADLINE.—

(A) IN GENERAL.—If an administering Secretary receives an application to conduct a demonstration project under this section and does not disapprove the application within 90 days after the receipt, then—

- (i) the administering Secretary is deemed to have approved the application for such period as is requested in the application, except to the extent inconsistent with subsection (e); and
- (ii) any waiver requested in the application which applies to a qualified program that is identified in the application and is administered by the administering Secretary is deemed to be granted, except to the extent inconsistent with paragraph (2) or (4) of this subsection.

(B) DEADLINE EXTENDED IF ADDITIONAL INFORMATION IS SOUGHT.—The 90-day period referred to in subparagraph (A) shall not include any period that begins with the date the Secretary requests the applicant to provide additional information with respect to the application and ends with the date the additional information is provided.

(e) DURATION OF PROJECTS.—A demonstration project under this section may be approved for a term of not more than 5 years, and may be renewed for 1 or more additional terms of not more than 5 years.

(f) REPORTS TO CONGRESS.—Each administering Secretary shall provide annually to the Congress a report concerning demonstration projects approved under this section, including—

- (1) the projects approved for each applicant;
- (2) the number of waivers granted under this section, and the specific statutory provisions waived;
- (3) how well each project for which a waiver is granted is improving or enhancing program achievement from the standpoint of quality, cost-effectiveness, or both;
- (4) how well each project for which a waiver is granted is meeting the performance objectives specified in subsection (c)(3)(B);
- (5) how each project for which a waiver is granted is conforming with the cost-neutrality requirements of subsection (d)(4); and
- (6) to the extent the administering Secretary deems appropriate, recommendations for modification of programs based on outcomes of the projects.

TITLE VII—EFFECTIVE DATE

SEC. 701. EFFECTIVE DATE.

(a) IN GENERAL.—Except as otherwise provided, the amendments made by this Act shall take effect on October 1, 2002.

(b) EXCEPTION.—In the case of a State plan under part A or D of title IV of the Social Security Act which the Secretary determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by this Act, the effective date of the amendments imposing the additional requirements shall be 3 months after the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of the session shall be considered to be a separate regular session of the State legislature.

I. INTRODUCTION

A. PURPOSE AND SCOPE

The “Personal Responsibility, Work, and Family Promotion Act of 2002,” (H.R. 4090) reauthorizes and makes improvements to the Temporary Assistance for Needy Families (TANF) block grant program created under P.L. 104–193, the “Personal Responsibility and Work Opportunity Reconciliation Act of 1996” (the 1996 welfare reform law), among other purposes. TANF is the primary Federal program of cash assistance for needy families.

The primary changes reflected in H.R. 4090 include: (1) maintaining current record Federal funding for TANF and Child Care and Development Block Grant (CCDBG) programs; (2) increasing individual and State work requirements while adding flexibility for States to satisfy these requirements; (3) increasing States’ flexibility in providing child care for low-income working families; (4) encouraging healthy marriage and two-parent married families by directing \$300 million in Federal and State funds to encourage strong families and healthy marriages, among other provisions; (5) specifying reducing poverty through job preparation, work, and marriage as a key program purpose; (6) strengthening child support enforcement; and (7) reinforcing the importance of fathers in the lives of children and families by providing \$20 million in new grant funding to promote responsible fatherhood, among other changes.

B. BACKGROUND AND NEED FOR LEGISLATION

In the 1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193), dramatic changes were made in the Federal-State welfare system designed to aid low-income American families. The law repealed the former Aid to Families with Dependent Children program, and with it the individual entitlement to cash welfare benefits. In its place, the 1996 legislation created a new Temporary Assistance for Needy Families (TANF) block grant. The legislation provided fixed funding to States to operate programs designed to achieve several purposes: (1) provide assistance to needy families, (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage, (3) prevent and reduce the incidence of out-of-wedlock pregnancies, and (4) encourage the formation and maintenance of two-parent families. In exchange for the broad flexibility and fixed funding granted States, the 1996 law imposed certain key program requirements, notably work requirements and time limits on Federal benefits. To ensure that the Committee and the Congress review the effects of the fundamental changes made in the 1996 law, the TANF program was authorized for five fiscal years, 1997 through 2002.

Remarkable progress has been made in combating welfare dependence, encouraging work, and reducing poverty since TANF was enacted in 1996. The number of children living in poverty has dropped by nearly 3 million and the African-American child poverty rate has fallen to a record low; welfare caseloads have fallen by 60 percent nationwide, as nearly 3 million families and 9 million recipients have left welfare; and record numbers of current and former welfare recipients are working. Today the TANF program continues to provide an important safety net to more than 2 million low-income families through temporary cash benefits, work supports, and other services.

Yet despite outstanding results over the past few years, far too many individuals receiving assistance are not making progress toward self-sufficiency. Troubling social trends such as out-of-wedlock birthrates, teen pregnancy, and divorce remain at or near record levels, exacerbating challenges faced by low-income families to achieve self-sufficiency.

To address these problems and enable the TANF program to help even more individuals, this legislation extends the TANF program for five years and makes improvements to the TANF program and to related programs under the Committee's jurisdiction.

C. LEGISLATIVE HISTORY

On April 18, 2002, the Committee on Ways and Means ordered favorably reported, with amendment, to the House H.R. 4090, the "Personal Responsibility, Work, and Family Promotion Act of 2002," by a 23–16 vote with a quorum present.

The Committee on Ways and Means held a hearing on March 12, 2002 to receive comments on the President's Plan to Build on the Successes of Welfare Reform. Testimony at the hearing was presented by Tommy Thompson, Secretary of the U.S. Department of Health and Human Services. Secretary Thompson also testified before the Committee on February 6, 2002 on the President's 2003

Budget Proposals, with a focus on welfare issues. On March 14, 2002, the Committee also held a hearing on the Administration's Health and Welfare Priorities (Serial 107-2).

The Subcommittee on Human Resources held a hearing on April 11, 2002 to receive comments on the welfare reform reauthorization proposals. Testimony at the hearing was presented by the Administration and a total of 48 other program administrators, advocates, researchers, and Members of the U.S. House of Representatives. On April 2, 2002, the Committee conducted a field hearing in University Center, Michigan on Welfare Reform Success, which included testimony from Michigan Governor John Engler, a welfare program administrator, former welfare recipients, and an employer who has hired a number of former recipients to work for his company. On March 7, 2002, the Committee held a hearing on Implementation of Welfare Reform Work Requirements and Time Limits. Several hearings also were held earlier in the 107th Congress on welfare reform topics including Teen Pregnancy Prevention, Child Support and Fatherhood Proposals (Serial 107-38), Welfare and Marriage Issues (Serial 107-28), and Effects of the 1996 Welfare Reform Law (Serial 107-5). In the 106th Congress, the Committee held a number of hearings on welfare issues: April 27, 1999 on Fatherhood (Serial 106-41); May 27, 1999 on the Effects of Welfare Reform (Serial 106-9); November 15, 1999 field hearing in Erie, Pennsylvania on Welfare Reform (Serial 106-47); February 14, 2000 field hearing in Baltimore, Maryland on Welfare Reform (Serial 106-87); February 27, 2000 on the Child Protection Review System (Serial 106-84); March 23, 2000 on Child Protection Issues (Serial 106-63); and July 20, 2000 on Increasing State Flexibility in Use of Federal Child Protection Funds (Serial 106-98). Throughout the hearings, testimony was presented by Administration officials, academic witnesses, researchers, program administrators, and advocacy groups.

II. EXPLANATION OF PROVISIONS

FINDINGS

PRESENT LAW

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), made a series of findings related to marriage, responsible parenthood, trends in welfare receipt and the relationship between welfare receipt and nonmarital parenthood, and trends in and negative consequences of nonmarital and teen births.

EXPLANATION OF PROVISION

The Committee bill includes a series of findings related to: (1) the success of the 1996 law in moving families from welfare to work and reducing child poverty, and need for continued efforts in these areas; (2) the progress made by the Nation in reducing teen pregnancy and births, in slowing increases in nonmarital births, and in improving child support collections and paternity establishment; (3) the flexibility provided by the 1996 law for States to develop innovative programs to encourage work over welfare and the formation of two-parent families; and (4) establishing the sense of

Congress that increasing success in moving families from welfare to work and promoting healthy marriage and other means of improving child well-being are important government interests and the policies in Federal TANF law (as amended by the Committee bill) are intended to serve those ends.

REASON FOR CHANGE

The findings highlight noteworthy achievements of the landmark 1996 welfare reform law to be strengthened through various provisions of the Committee bill. The findings focus on the bill's provisions related to promoting work, reducing poverty, discouraging out-of-wedlock childbearing with a particular focus on teen pregnancy often associated with long welfare dependence, and promoting State flexibility in operating programs designed to promote healthy marriage among other means of improving child well-being.

TITLE I. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Section 101. Purposes

PRESENT LAW

The purpose of TANF is to increase State flexibility in operating a program designed to: (1) assist needy families so that children may live in their homes or those of relatives; (2) end dependence of needy parents on government benefits; (3) reduce out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families.

EXPLANATION OF PROVISION

Modifies the purposes of the TANF program as follows: The purpose of TANF is to improve child well-being by increasing State flexibility in operating a program designed to: (1) provide assistance and services to needy families so that children may live in their homes or those of relatives; (2) end dependence of needy families on government benefits and reduce poverty by promoting job preparation, work and marriage; (3) reduce out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of healthy, two-parent married families and encourage responsible fatherhood.

REASON FOR CHANGE

The Committee bill provides an overarching TANF program purpose of improving child well-being, supported by current law purposes of providing assistance to children, ending dependence on welfare benefits, reducing births outside marriage, and encouraging the formation and maintenance of healthy married families. The Committee bill also highlights that a key purpose of the TANF program is ending dependence on government benefits and reducing poverty through job preparation, work, and marriage. The Committee notes that the concepts of child well-being and reducing poverty through increased work and improved family stability are closely intertwined. In these respects the 1996 welfare reform law has achieved remarkable results, contributing to the lifting of nearly three million children from poverty since the law's enactment. Directing TANF programs and other efforts to be oriented toward

further improving child well-being is designed in part to continue and amplify this record of success in removing children from poverty, among other purposes.

The legislation modifies the fourth program purpose to clarify the goal of encouraging the formation and maintenance of healthy, married two-parent families. Current research clearly reflects that children do best across a range of measures when raised by two married parents, especially by their own biological parents: Children raised by single parents are five times more likely to live in poverty, five times more likely to depend on welfare, two to three times more likely to show behavioral problems, and two times as likely to commit crimes or go to jail, children raised by single parents also are more likely to suffer from abuse and neglect, commit suicide, take drugs, and drop out of school. The purposes of TANF should reflect such research, especially in keeping with the overall program interest in promoting child well-being.

Finally, the legislation reinforces that a key TANF program purpose includes encouraging responsible fatherhood, which is essential to the healthy upbringing of children. (Section 120 of the legislation also provides for a new “responsible fatherhood” program authorizing grants of up to \$20 million per year for this purpose.)

Section 102. Family Assistance Grants

PRESENT LAW

Provides capped grants (entitlements to States). Basic grants are computed from Federal expenditures for TANF's predecessor programs during fiscal years 1992 through 1995. Basic grants were frozen for fiscal years 1997 through 2002. Nationally, annual grants total \$16.5 billion for the States and the District of Columbia (D.C.). Additional amounts are provided for the territories.

EXPLANATION OF PROVISION

Retains basic block grants, and extends current funding levels for each of fiscal years 2003 through 2007. Appropriates \$16.5 billion annually for block grants to the States and D.C. and additional amounts for the territories (plus some matching grants for the territories).

REASON FOR CHANGE

The Committee legislation reauthorizes the TANF block grant at its current level, providing States, D.C., and territories with a continuation of the record Federal funds made available in each fiscal year since 1996 despite unprecedented caseload declines during that period. Since 1994/95 (when national caseloads and Federal funds peaked, and which funding levels serve as the basis for the TANF block grant amount), caseloads have fallen by nearly 60 percent. A number of States individually and collectively continue to have significant unspent TANF balances, totaling \$7.4 billion as of September 2001, according to a March 21, 2002 report by the Center on Budget and Policy Priorities. States may use such unspent balances for additional needs in the years ahead, and other provisions in the Committee legislation (see Section 107, on use of funds) provide States significant new flexibility in the use of such

unspent or “carryover” funds, including to provide additional child care and other work supports as appropriate.

Section 103. Promotion of Family Formation and Healthy Marriage

PRESENT LAW

No provision for special marriage promotion grants, but law provides bonuses totaling \$100 million per year to a maximum of five States each year for reduction in out-of-wedlock births.

EXPLANATION OF PROVISION

Requires States to express in their annual State plans how they would operate programs to encourage equitable treatment of married, two-parent families. Appropriates \$100 million annually for each of fiscal years 2003 through 2007 for 50 percent competitive matching grants to States, territories, and tribal organizations for programs to promote healthy, married two-parent families and reduce out-of-wedlock births. Grants may be used for advertising campaigns; education in high schools; marriage education, marriage skills, and relationship skills programs for non-married pregnant women and expectant fathers; pre-marital education; marriage and relationship skills enhancement programs for married couples; divorce reduction programs; marriage mentoring programs; and programs to reduce marriage disincentives in means-tested programs, if offered in conjunction with any other listed activity. These grants replace current law out-of-wedlock bonus (maximum of \$100 million annually) grants, which are repealed.

Provides that State expenditures on non-TANF-eligible families to reduce out-of-wedlock births and promote marriage and responsible fatherhood (that is, on TANF purposes 3 and 4) may be counted toward required “maintenance-of-effort” State spending. In a related section, the bill further provides that Federal TANF funds used for marriage promotion may be treated as State matching funds for marriage promotion grants (See Section 111, Maintenance of Effort).

REASON FOR CHANGE

In keeping with the TANF program purpose of encouraging the formation and maintenance of healthy, two-parent married families, the Committee legislation refocuses current out-of-wedlock birth reduction “bonus” funds on programs and activities designed to encourage the formation of healthy marriages and strengthen and maintain existing marriages, for several reasons. The awarding of current bonus funds, while in name designed to encourage the operation of State programs and efforts to reduce out-of-wedlock childbearing, has not been associated with specific State efforts in this area. Further, under current law there is no requirement that States awarded such funds use the money for efforts to reduce out-of-wedlock births or otherwise strengthen families. Thus there has been interest in converting this current stream of funding to support more specific efforts to strengthen families. Given the limited number of States using Federal or State TANF program funds for activities and programs designed to promote healthy marriage and strong families and in keeping with the overall TANF program purposes, the Committee legislation seeks to encourage

more innovation in this area by making available additional funds to States interested in operating such programs.

Section 104. Supplemental Grant for Population Increases in Certain States

PRESENT LAW

Supplemental grants are provided to up to 17 States with low historic Federal grants per poor person and/or high population growth for fiscal years 1998 through 2001 (extended through September 30, 2002 at fiscal year 2001 funding level by P.L. 107-147). Grants grew each year, from \$79 million in fiscal year 1998 to \$319 million in each of fiscal years 2001 and 2002.

EXPLANATION OF PROVISION

Annual supplemental grants are reauthorized for each year through fiscal year 2006, at the fiscal year 2001/2002 level of \$319 million per year.

REASON FOR CHANGE

The Committee legislation provides for the continuation of the current TANF supplemental grants program, with funds remaining at the current (fiscal year 2001 and 2002) level and for each currently-eligible State for each of the next four fiscal years, 2003 through 2006. As under the 1996 welfare reform law, which authorized the TANF block grant through fiscal year 2002 yet provided for supplemental grants through only fiscal year 2001, the authority for supplemental grants under the Committee legislation would expire one year prior to that of the TANF block grant. This decision does not reflect on the underlying merits of TANF supplemental grants, but simply replicates the 1996 law treatment of supplemental grants in the final year of the block grant authorization period. The Committee notes that Congress recently passed legislation (P.L. 107-147) extending supplemental grants for fiscal year 2002, and that a future Congress may make a similar decision to extend supplemental grants for fiscal year 2007.

Section 105. Bonus to Reward Employment Achievement

PRESENT LAW

A “high performance bonus” of \$200 million per year is provided to States. The bonus is awarded to States that have achieved key TANF goals, based on a formula developed by the Secretary of Health and Human Services (HHS) in consultation with the States. For fiscal year 2002 performance, the formula includes employment and family formation outcomes, child care affordability, and coverage in certain government programs.

EXPLANATION OF PROVISION

The high performance bonus is replaced with a bonus to reward employment achievement (annual average of \$100 million appropriated for five years). The bonus is to be based on absolute and relative progress towards goals of job entry, job retention, and increased earnings. The formula for providing these bonus funds is to be developed by HHS in consultation with the National Gov-

ernors Association and the American Public Human Services Association. Tribal organizations are allowed access to employment bonus funds.

REASON FOR CHANGE

The Committee legislation includes changes that would focus current high performance bonus funds more closely on State and Tribal success in helping welfare recipients achieve employment entry, job retention, and increased earnings. Performance would be measured both on an absolute basis and relative to prior performance, permitting all States and Tribal organizations to qualify for funds provided their performance has improved in these areas. This fund also highlights the Committee's interest in encouraging welfare reform policies that assist recipients not only in leaving welfare and entering employment, but also in staying on the job and moving up the employment ladder.

Section 106. Contingency Fund

PRESENT LAW

Up to \$2 billion over fiscal years 1997 through 2001 (extended through September 30, 2002 by P.L. 107-147) is authorized to assist States in the event of a serious economic downturn. To qualify for contingency funds, States must spend under the TANF program a sum of their own dollars equal to their pre-TANF spending (i.e. satisfy a 100 percent "Maintenance of Effort" [MOE] requirement).

EXPLANATION OF PROVISION

The Committee bill reestablishes a \$2 billion contingency fund in fiscal years 2003 through 2007 and permits States to count child care spending and all spending in separate State programs toward the MOE requirement for accessing the contingency fund. The bill also simplifies the annual reconciliation process under current law and adjusts the food stamp "needy State" trigger based on any policy changes made after passage of the 1996 welfare reform law.

REASON FOR CHANGE

In order to assist States demonstrating increased needs during difficult economic times, the Committee legislation extends and improves the current \$2 billion Federal TANF contingency fund program created under the 1996 welfare reform law. This fund, whose authorization would currently expire at the end of fiscal year 2002, would be extended through fiscal year 2007.

Before permitting access to money from this fund, current law expects States to satisfy a 100 percent MOE requirement comparing recent with pre-TANF welfare-related spending. However, neither former nor recent child care spending is included in performing this calculation. Thus a provision is included in the Committee legislation to add State spending on child care—which has risen since the 1996 welfare reform law—which increases the likelihood that States would satisfy the 100 percent MOE requirement and access Federal contingency funds.

The Committee legislation also includes several technical and conforming amendments simplifying the annual reconciliation process for ensuring that States receive the correct amount of contin-

gency funds, and ensuring that Federal policy changes affecting food stamp eligibility made since the 1996 welfare reform law do not inadvertently affect States' ability to qualify for Federal contingency funds.

Section 107. Use of Funds

PRESENT LAW

States may use funds in any manner reasonably calculated to accomplish the TANF purpose (or in any manner that they were authorized to use pre-TANF funds).

The State plan must indicate whether the State intends to treat families moving into the State differently from others.

States may transfer up to 30 percent of TANF funds to the Child Care and Development Block Grant (CCDBG) and the Title XX Social Services Block Grant (SSBG). Specifies that a maximum of 10 percent of total transfers may go to SSBG in fiscal year 2002, and 4.25 percent per fiscal years thereafter. Also, States may use TANF funds, within the overall 30 percent transfer limit, as matching funds for the Job Access transportation program for TANF recipients, ex-recipients, and persons at risk of becoming income-eligible for TANF.

Amounts may be spent without fiscal year limit for "assistance" (chiefly ongoing cash aid). For other benefits and services (i.e. "non-assistance"), amounts must be obligated in the year of award and spent in the following year.

EXPLANATION OF PROVISION

States may use funds for any purposes or activities reasonably calculated to accomplish the purpose of TANF (or permitted under pre-TANF rules).

The Committee bill strikes a provision about treatment of families migrating into the State, which subsequent to the 1996 welfare reform law was found unconstitutional by the Supreme Court.

The overall ceiling on transfers from the TANF block grant is increased to 50 percent. The limit on TANF transfers to SSBG is increased to 10 percent (the original limit established in the 1996 law) in each of fiscal years 2003 through 2007.

The Committee bill also allows States to use carry-over funds for any benefit or service without fiscal year limitation and permits a State or tribe to designate some unspent TANF funds as a contingency reserve.

REASON FOR CHANGE

Several provisions to increase States' flexibility in designing TANF programs are included in the Committee bill. The increase in TANF funds that may be transferred to the child care and Social Services Block Grants would allow States to use TANF funds to support more working families outside of the welfare system as these programs are not limited to TANF-eligible families. Transfer authority has become increasingly important as States shift more resources to support working families using TANF funds available due to the dramatic caseload declines in recent years.

Currently, regulations implementing the TANF program limit States to spending carryover funds only on cash assistance. This

legislation clarifies that carryover funds may be spent on any of the States' TANF programs, including child care and other services as well as cash assistance.

The provision to allow States to designate unspent TANF funds as contingency reserves is intended to improve the reliability of the TANF block grant in future years. In the past, unspent TANF balances have led to confusion over how much TANF funds were unneeded versus specifically set-aside for future needs. The Committee expects the Secretary of HHS to provide additional guidance to States for purposes of their reporting contingency reserves in a uniform manner.

Section 108. Repeal of Federal Loan for State Welfare Programs

PRESENT LAW

A \$1.7 billion revolving and interest-bearing Federal loan fund for State welfare programs is authorized.

EXPLANATION OF PROVISION

The Committee legislation repeals loan fund and makes conforming amendments to reflect the repeal in related program provisions.

REASON FOR CHANGE

The loan authority is eliminated given a lack of support for or interest in the program from the States.

Section 109. Universal Engagement and Family Self-Sufficiency Plan Requirements

PRESENT LAW

State plans must require that a parent or caretaker engage in work (as defined by the State) after, at most, 24 months of assistance. However, this requirement is not enforced by a specific penalty.

States, at their own option, may develop individual responsibility plans providing for an initial assessment of the skills, prior work experience, and employability of each recipient 18 or older or within 30 days of initial receipt of welfare benefits.

TANF work participation rates are enforced by a penalty on States of the loss of five percent of the State's TANF block grant for first year of violation; the penalty may be reduced for the degree of violation. Increasing penalties are specified for subsequent years of violation. The State must replace the amount of Federal penalty funds lost with its own funds.

EXPLANATION OF PROVISION

The current State plan provision expecting engagement in work within 24 months of initial welfare receipt is repealed and replaced with a provision requiring parents in families receiving assistance to participate in work or alternative self-sufficiency activities, as described below.

The current State option to develop individual responsibility plans is eliminated. Instead, States are required to make an initial assessment, in the manner deemed appropriate by the States, of

the employability of each recipient of assistance and to develop family self-sufficiency plans for each family with a work-eligible individual within 60 days of opening a case (within 12 months for families enrolled at the time of enactment). The plans are to provide for ongoing participation of the individual in activities. States face a penalty for failure to establish self-sufficiency plans as part of the current penalty for failure to satisfy State work participation rates. These penalties may be reduced based on the severity of the violation, as under current law. Self-sufficiency plans are to specify work and other activities designed to assist the family in achieving their maximum degree of self-sufficiency, among other purposes. States are to monitor participation in such activities and family progress, and revise plans as appropriate.

REASON FOR CHANGE

Universal engagement is a centerpiece of the Committee's legislation. Currently, 14 States do not require recipients to engage in any activities during their first 24 to 30 months of receiving benefits. The Committee believes this is unfair to beneficiaries given time limits on benefits that mean up to half of their available Federal benefits could expire before they begin preparing for self-sufficiency. Early and constant activity is the best path out of poverty, which is provided for under the self-sufficiency plan and related provisions of the legislation.

In keeping with the major changes made in the 1996 law, it is the intent of the Committee that States continue to have flexibility to set conditions for receipt of benefits or assistance, such as mandatory substance abuse testing similar to that used by public or private sector employers and other testing or screening, either as part of an eligibility determination process, an individual planning process, or as a condition of ongoing receipt of benefits. The Committee recognizes that early detection of impediments such as substance abuse and addiction can help improve the prospects of employment and self-sufficiency, and better preserve families and protect children from abuse and neglect.

The Committee recognizes that public assistance recipients required to engage in Federally mandated work and training activities may experience difficulty in attending meetings or other appointments with welfare offices which conflict with recipients' work/training. The Committee encourages States and localities to review this issue and, as appropriate, consider alternatives such as expanded evening and weekend hours, field visits, or telephonic, electronic, or other communication means to enhance their flexibility in scheduling such meetings and further aid welfare recipients in their transition from welfare to work.

Section 110. Work Participation Requirements

PRESENT LAW

States must have a specified percentage of their adult recipients engaged in creditable work activities. In fiscal year 2002 the participation standard is 50 percent for all families (90 percent for the two-parent component of the caseload).

Standards are reduced by a caseload reduction credit. For each percent decline in the caseload from the fiscal year 1995 level (not

attributable to policy changes), the work participation standard is reduced by one percentage point.

Federal law lists 12 activities that count toward meeting the participation standards. Nine activities have priority status: unsubsidized jobs, subsidized private jobs, subsidized public jobs, work experience, on-the-job training, job search (6 weeks usual maximum), community service, vocational educational training (12 month limit), and providing child care for certain TANF recipients. There are three other creditable activities: job skills training directly related to employment, and (for high-school dropouts only) education directly related to work and completion of secondary school.

Participation in education (including vocational educational training) may account for no more than 30 percent of persons credited with work for purposes of satisfying the State work participation rate.

Generally, to count toward the all-family rate, participation of 30 hours (20 hours in priority work activities) is required. For two-parent families the standard is 35 hours (30 in priority work activity), but increases to 55 hours (50 in priority activities) if the family receives Federally-subsidized child care.

For a single parent caring for a child under age 6, 20 hours of participation satisfies the standard.

States may exempt the parent of a child under age one from work and exclude them from the calculation of work participation rates.

Teen parents are deemed to meet the weekly hour participation standard by maintaining satisfactory attendance in secondary school (or the equivalent in the month) or by participating in education directly related to employment for an average of 20 hours weekly.

The monthly participation rate, expressed as a percentage, equals (a) the number of all recipient families in which an individual is engaged in work activities for the month, divided by (b) the number of recipient families with an adult recipient (but excluding families subject that month to a penalty for work refusal, provided they have not been penalized for more than three months) and excluding families with children under one, if the State exempts them from work. Except for teen parents, single parents with a child under six, and participants in a tribal program with different hour requirements, families must work an average of at least 30 hours weekly to be counted as working.

States are prohibited from sanctioning a single parent caring for a child under age 6 based on refusal to participate in work because of the unavailability of appropriate, suitable and affordable child care.

EXPLANATION OF PROVISION

States must have a specified percentage of families containing adult recipients engaged in direct work or alternative self-sufficiency activities chosen by the State. In fiscal year 2003 the standard is 50 percent, and it raises by 5 percentage points each subsequent fiscal year until reaching 70 percent in fiscal year 2007.

The separate standard for two-parent families is eliminated.

The Committee bill updates the current credit for net caseload reduction (thus reducing the effective State work participation rate target for States with falling caseloads) by measuring caseload reduction from a moving base year rather than from fiscal year 1995. For fiscal year 2003, the credit is based on the percent decline in the caseload from fiscal year 1996; for fiscal year 2004, the base is fiscal year 1998; for fiscal year 2005, fiscal year 2001. Thereafter, the base rises each year by one year (thus, the credit for fiscal year 2007 is based on the caseload decline from fiscal year 2003).

To receive full credit towards the work participation rate, States must engage families with adult recipients in a direct work activity or alternative self-sufficiency activity for an average of 40 hours weekly-of which 24 hours must be in one of the “direct work” activities listed in the law, which include: unsubsidized jobs, subsidized private jobs, subsidized public jobs, on-the-job training, supervised work experience, and supervised community service. Once a family achieves 24 hours of direct work, States may define any other activity as countable (up to 16 hours per week) so long as it leads to self-sufficiency and is consistent with the purposes of TANF.

States may qualify for a “superachiever” credit if the State has reduced its caseloads by more than 60 percent since 1995. The value of the credit is equal to the number of points above 60 percent in caseload reduction that occurred between 1995 and 2001. The superachiever credit may reduce a State’s work participation rate only to 50 percent, although any future caseload declines captured by the updated credit for net caseload reduction also may be applied after calculating the superachiever credit to further reduce the effective work participation rate the State must achieve.

For any three months within a 24 month period, persons may be deemed to meet the 24-hour weekly direct work requirement by engaging in short-term activities chosen by the State to promote self-sufficiency (examples listed in the bill are substance abuse counseling or treatment, rehabilitation treatment and services, work-related education or training directly at enabling the family member for work, and job search or job readiness assistance).

States may exclude from the calculation of work participation rates families in which the youngest child is under age 1. They also may exclude from work participation rates all families during their first month of assistance and families in a tribal program.

Teen parents are deemed to satisfy the 40-hour weekly work rule by virtue of satisfactory school attendance (or the equivalent in the month) or by participating in education directly related to employment for an average of 20 hours weekly.

As under current law, certain sanctioned families are excluded from counted families used to determine participation rates. In addition, as noted above, States have the option to exclude families in the first month of assistance, tribal families, and single parents with an infant. The monthly participation rate is (a) the total number of countable hours, divided by (b) 160 times the number of counted families for the month. This means that a State would receive full credit for a family participating in work and other activities for 40 hours per week for four weeks per month, or on an annual basis, for 48 weeks per year.

In general, States must reduce the amount of assistance payable to the family pro-rata or terminate assistance if the individual refuses, without good cause, to engage in work or in activities under a family sufficiency plan. If the individual refuses to engage in work or otherwise participate in activities expected in accordance with their self-sufficiency plan for at least two consecutive months, the State must end all cash payments to the family for at least one month and until the individual complies with work and related self-sufficiency activities. State constitutional requirements to provide assistance to needy parents and children supercede this provision.

REASON FOR CHANGE

As has been noted above, the Committee believes that too many recipients remain on welfare without engaging in activities to prepare them for work. The legislation provides increases in the work requirements expected of States with important areas of increased flexibility in activities that may be counted towards satisfying those requirements. Overall, States are required, when fully phased in, to have an average of 70 percent of adult recipients in 40 hours of activities, including 24 hours of direct work and 16 hours of other activities, for 48 weeks each year.

There are many ways that vocational education and training may be combined under H.R. 4090 in ways that will greatly improve individual's long-term prospects for self-sufficiency. Following are specific examples of allowable combinations of work and training.

Example No. 1. A participant is taking classes to become a certified nurse assistant. She goes to class four hours each morning from Monday through Thursday. Each afternoon, she works four hours in a practicum assignment, practicing the skills she is learning in class. On Friday, she has a part-time job for eight hours. The practicum hours and the part-time job would count towards the direct work requirement (total 24 hours). The 16 hours of class would count towards the overall participation requirement for a total of 40 hours of participation. Because the participant is meeting her direct work requirement, there would be no limit on how long she could continue this arrangement (other than the overall 5-year lifetime limit on receipt of Federal benefits). She could continue for whatever time it took to complete her certificate.

Example No. 2. A new participant is currently enrolled in a vocational education program that will take 12 to 18 months to complete. Her self-sufficiency plans calls for her to complete the current semester (about 4 months). Thereafter, she plans to work 3 days a week and continue her vocational training on the other two days. The educational activity can substitute for the direct work requirement for up to four months. Thereafter, the part-time work will count towards the direct work requirement and the vocational education will count towards the additional hours, for a total of 40. Subject to the overall 5-year limit on receipt of Federal benefits, she can continue in this arrangement until she completes her vocational education program.

Example No. 3. A recipient with low basic educational skills who is having difficulty obtaining employment participates in a comprehensive work experience and skills building program. The recipient participates in a full-time, 40 hours per week program that

includes actual work activities (perhaps in an industrial or even an office setting) familiarizing the client with a job setting and job-specific skills, and integrates that experience with basic educational skills training, all at the same site. The work activities and trainings might be blended to enhance the client's experience, but about five hours of each day would involve work activities.

Under the Committee bill, States are provided partial credit toward their work participation rate requirement for individuals who perform as few as 24 hours per week of work, and receive full credit for families who perform 40 or more hours per week of work and other activities designed to promote self-sufficiency. The legislation would eliminate the separate and higher State work participation rate requirement that currently applies to two-parent families, making them subject to the same rate and hours of work rules as single-parent families receiving assistance, enhancing the chances that these or other families might be able to participate in "extra" hours that could balance families whose maximum hours of work and other activities might fall short of 40 hours per week standard.

The Secretary is expected to issue regulations that specify how the 24-hour direct work requirement may be applied in certain low-benefit States. The Committee is aware that certain States may face special challenges in meeting the 24-hour direct work requirement in cases where unsubsidized or subsidized private sector employment is limited and the State may only enroll individuals in a certain number of hours of work experience or community service activities due to minimum wage constraints. The Committee notes that modifying regulations, which currently limit the value of government benefits to only cash welfare and food stamps, to include additional benefits families receive also would facilitate participation in additional work experience or community service.

Under the Committee bill, States have the flexibility to make accommodations in the work requirements for individuals with special circumstances, for example, caring for a disabled child. The maximum work requirement a State must meet, assuming the State receives no credit for future caseload declines, would be 70 percent in fiscal year 2007. Even at this high work rate, the State can exempt up to 30 percent of its caseload from the work requirement. Further, many States have created separate State programs to avoid penalties for failure to meet the higher work requirements for 2-parent families. Under the Committee bill, these separate 2-parent work requirements are eliminated, allowing States to use these State funds for assistance to parents caring for disabled relatives, subject to separate State work requirements.

The legislation would update the current credit for net caseload reduction. As under current law, this credit reduces the State work participation rate requirement by the percentage decline, if any, in the State's welfare caseload relative to a prior year. Under the legislation, States would continue to be given credit for caseload declines, but the baseline year for determining the percentage decline and thus the credit would be recalibrated as follows: in fiscal year 2002, States would be given credit for the percentage of caseload decline between fiscal years 1995 and 2001 (current law); in 2003, States would be credited for declines between 1996 and 2002; in 2004, between 1998 and 2003; in 2005, between 2001 and 2004; in 2006, between 2002 and 2005; and in 2007, between 2003 and

2006. Thus if the State's welfare caseload declined by 30 percent between fiscal years 2003 and 2006, its real work participation rate requirement for the remaining caseload in fiscal year 2007 would be 40 percent, given the updated credit for net caseload reduction.

In addition to the credit for net caseload reduction, 17 States that achieved caseload declines of more than 60 percent between fiscal years 1995 and 2001 will receive an additional superachiever credit. Given their large past caseload declines, these States will receive a percentage reduction in future work requirements based on the percentage decline above 60 percent (Colorado is eligible for a maximum 12% credit against future rates, FL 15%, GA 4%, ID 20%, IL 14%, LA 9%, MD 5%, MI 4%, MS 10%, NJ 2%, NC 6%, OH 3%, OK 9%, SC 5%, WV 2%, WI 16%, and WY 20%). The credit takes into consideration the difficulty these States might have in further reducing caseloads, which would otherwise reduce the rising work rate requirements. The superachiever credit in any year may not reduce the target work participation rate to less than 50 percent in any future year. For a number of superachiever States, this will maintain the effective work rate requirement at the current 50 percent level for several or all of the next five fiscal years. All States, including those receiving superachiever credits, may receive additional credits under the recalibrated net caseload reduction credit provision also included in the legislation and described above.

To illustrate how the superachiever credit works, consider the State of Wisconsin. Wisconsin experienced a 76 percent caseload decline in the 1995–2001 period, earning a superachiever credit of 16 percent (76 percent decline minus 60 percent threshold equals 16 percent credit). As State work rates rise under the legislation from 50 percent in fiscal year 2003 to 55 percent in 2004, 60 percent in 2005, and 65 percent in 2006, this credit would maintain Wisconsin's work rate requirement at the current 50 percent level. In fiscal year 2007 when the rate rises to 70 percent, Wisconsin's effective work rate requirement would be 54 percent (70 percent work rate minus 16 percent credit equals 54 percent effective work rate).

In order to stress the importance of work, the legislation would specify certain conditions under which States must provide for a "full check sanction" if a parent refuses to participate in work and other activities as required by the State and as expressed in the self-sufficiency plan to which the parent has agreed, but adds that this condition does not apply in a State with a Constitutional requirement to provide benefits.

Section 111. Maintenance of Effort

PRESENT LAW

Establishes a maintenance-of-effort (MOE) requirement that States spend at least 75 percent of what was spent from State funding in fiscal year 1994 on programs replaced by TANF. Nationally, this 75 percent level equals \$10.4 billion. MOE rises to 80 percent if State fails a work participation standard.

EXPLANATION OF PROVISION

Continues existing MOE requirement through fiscal year 2007. Provides that Federal TANF funds used for marriage promotion may be treated as State matching funds for marriage promotion grants, but that any such funds so used may not be counted towards State MOE requirements.

REASON FOR CHANGE

The Committee legislation includes a conforming change related to State spending on activities to prevent out-of-wedlock child-bearing and promote healthy marriages. Regulations have interpreted that State MOE funds may only be spent for such purposes on TANF-eligible families, even though Federal TANF funds may be spent on a broader range of families. Activities aimed at preventing dependence that cannot reasonably be limited to low-income families since they frequently consist of public awareness campaigns or education programs broadly available in the community. This provision makes clear that States may use State and Federal TANF funds for these purposes for both needy families and others, including those who might become eligible in the absence of such interventions.

Section 112. Performance Improvement

PRESENT LAW

Each State must outline, in a 27-month plan, how it intends to: conduct a program providing cash assistance to needy families with children and providing parents with work and support services, require caretaker recipients to engage in work (at State definition) after 24 months of aid or sooner, if judged work-ready, ensure that caretakers engage in work in accordance with the law, take steps deemed necessary by the State to restrict use and disclosure of information about recipients, establish goals and take action to prevent/reduce the incidence of out-of-wedlock pregnancies, and conduct a program providing education and training on the problem of statutory rape. In addition, the plan must indicate whether the State intends to treat families moving into the State differently from others, indicate whether the State intends to aid noncitizens, set forth objective criteria for benefit delivery and for fair and equitable treatment, and provide that, unless the governor opts out by notice to HHS, the State would require a parent who has received TANF for two months and is not work-exempt to participate in community service employment. In the plan the State must certify that it will operate a child support enforcement program and a foster care and adoption assistance program and provide equitable access to Indians ineligible for aid under a tribal plan. It must certify that it has established standards against program fraud and abuse. It must specify which State agency or agencies would administer and supervise TANF. Further, the State may opt to certify that it has established and is enforcing procedures to screen and identify recipients with a history of domestic violence, to refer them to services, and to waive program rules when appropriate.

The law also authorizes States to administer and provide TANF services through contracts with charitable, religious, or private or-

ganizations and to pay recipients by means of certificates, vouchers, or other disbursement forms redeemable with these organizations. This provision stipulates that any religious organization with a contract to provide welfare services shall retain independence from government and requires States to provide an alternative provider for a beneficiary who objects to the religious character of the designated organization.

Finally, the law directs the Secretary of HHS to rank States in order of success in moving recipients into long-term private jobs and reducing the proportion of out-of-wedlock births. In both cases, the Secretary is directed to review programs in the three States with the highest and lowest ratings.

EXPLANATION OF PROVISION

The legislation adds a requirement that each State outline how it would encourage equitable treatment of married, two-parent families and describe any strategies the State is undertaking to deal with: (1) employment retention and advancement for recipients; (2) efforts to reduce teen pregnancy; (3) services for struggling and noncompliant families and for clients with special problems; and (4) program integration, including the extent to which employment and training services are provided through the One-Stop Career Center System created under the Workforce Investment Act of 1998.

The legislation strikes a provision requiring community service after two months of benefits.

The legislation strikes a provision requiring goals to reduce out-of-wedlock pregnancies and replaces it with a requirement that States establish specific numerical performance goals, measures, measurement methodology, and plans to improve outcomes regarding each of TANF's four goals.

States are required to describe in their State plans what strategies the State has in place to engage faith-based organizations in the provision of services funded by TANF, as well as strategies to improve program management and performance.

A provision is included to assure that Tribes and States have consulted each other regarding TANF program planning.

The legislation requires the Secretary of HHS, in consultation with the National Governors Association, the National Conference of State Legislatures, and the American Public Human Services Association, to develop uniform performance measures to judge the effectiveness and improvement of State programs in accomplishing TANF purposes. Finally, the legislation deletes a "long-term" qualifier measure used in ranking State performance and adds an employment retention and advancement ranking factor.

REASON FOR CHANGE

The Committee bill removes certain State plan requirements in current law that do not conform to proposed changes in the TANF program. The bill also adds certain State plan requirements that reflect the legislation's increased focus on engaging more recipients in work and other self-sufficiency activities, and the proposal's focus on promoting healthy marriages and preventing out-of-wedlock births. Finally, the new plan requirements reflect growing interest among program administrators in helping recipients move

from employment to better jobs leading finally to long-term self-sufficiency by requiring States to report on what strategies they are employing to address this issue.

The legislation eliminates a State plan requirement related to differential treatment of beneficiaries based on previous State residency. This revision is in response to a 1999 Supreme Court Case (*Saenz v. Roe*) that held such differential treatment was unconstitutional.

The uniform performance improvement measures are intended to help States quickly identify program weaknesses so they may correct them in a timely manner and to facilitate States' sharing of best practices.

The Committee bill requires eligible States to submit documents to the Secretary describing their strategies for engaging faith-based organizations in the provision of services funded under the provisions in Section 104 of the 1996 welfare reform law. The principles set out in Section 104 allow for the funding of faith-based organizations on the same basis as other nongovernmental organizations; permit them to maintain their religious character by choosing board members, symbols, and staff in accord with their faith; and protect beneficiaries from discrimination while safeguarding their rights of conscience by ensuring that alternative providers that are unobjectionable to them on religious grounds are made available. While Section 104's provisions save from Federal preemption a State constitution or statute that expressly singles out religious organizations as subject to limits on State funding, they do not save local laws or general laws that merely have a disparate impact on some religious organizations.

The provisions in Section 104 also prohibit the use of Federal funds for sectarian worship, instruction, or proselytization when religious organizations receive such funds directly. Accordingly, when a faith-based organization's program receives direct funding, such as through grants or contracts, beneficiaries also have the right to opt out of such program's sectarian components, offered separate from the funded program, because under the provisions of Section 104 these beneficiaries may refuse to actively participate in a religious practice. However, when the method of funding a program is indirect, the Establishment Clause, under Supreme Court precedent, allows faith-based organizations to offer an integrated social service program. The Supreme Court has described indirect funding as a funding method by which the "genuinely independent and private choice" of the beneficiary determines ultimately whether the assistance is directed to a secular or religious provider. *Witters v. Washington Department Services for the Blind*, 474 U.S. 481, 487 (1986).

Section 113. Data Collection and Reporting

PRESENT LAW

States are required to collect monthly, and report quarterly, disaggregated case record information about recipient families (but may use sample case record information for this purpose). Required family information includes county of residence, whether a member received disability benefits, ages of members, size of family and the relation of each member to the family head, employment status

and earnings of the employed adult, marital status of adults, race and educational level of each adult, and race and educational level of each child, and whether the family received subsidized housing, Medicaid, food stamps, or subsidized child care (and if the latter two, the amount). In addition, required information includes number of months that the family received each type of aid under the program, number of hours per week, if any, that adults participated in specified activities (education, subsidized private jobs, unsubsidized jobs, public sector jobs, work experience, community service, job search, job skills training or on-the-job training, vocational education), information needed to calculate participation rates, and type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance. Further information required is unearned income, citizenship of family members, number of families and persons receiving aid under TANF (including the number of two-parent and one-parent families), total dollar value of assistance given, total number of families and persons aided by welfare-to-work grants (and the number whose participation ended during a month), number of noncustodial parents who participated in work activities, and for each teenager, whether he/she is the parent of a child in the family. From a sample of closed cases, the quarterly report is to give the number of case closures because of employment, marriage, time limit, sanction, or State policy.

EXPLANATION OF PROVISION

The legislation permits the Secretary of HHS to limit the use of sampling by designating core elements that must be reported for all families and adds race and educational level of each minor parent to the core reporting elements. States are no longer required to report on the education level of each child. Under the Committee legislation, States would be required to report on “each type” of aid a family receives and the reason for extending aid beyond 60 months when applicable.

The legislation also would require States to report on whether adults receiving assistance participated in training or other activities directed at TANF purposes, but not specifically listed under current law. States now reporting on participants engaged in job search also would have to report on those participating in job placement activities. States no longer would have to report on participants involved in job skills training. The legislation adds that work experience and community service activities are “supervised.”

States would be required to report additional information related to progress toward universal engagement, as well as participation rates, and in the quarterly reports States must identify whether self-sufficiency plans have been established for all families receiving assistance, and the date the family first received assistance. The quarterly reports also must provide information on the marital status of the parents or guardians of any child in the family and whether the parents or guardians are living.

States would no longer be required to report on the type of assistance a family receives. However, States would be required to report on the number of families and persons who become ineligible to receive TANF during a month (broken down by the number that lose eligibility because of earnings, changes in family composition

that result in higher earnings, sanctions, time limits, or other specified reasons).

The legislation proposes that regulations defining additional data elements be developed by the Secretary of HHS in consultation with the National Governors Association, American Public Human Services Association, and National Conference of State Legislatures.

Beginning in fiscal year 2005, States would be required to submit annual reports to the Secretary of HHS on the characteristics of all TANF programs funded with qualified State expenditures (that is, which are countable toward State maintenance of effort requirements), including the program's eligibility, program name, description of activities and program purposes, the number of beneficiaries, and any sanction policies or work requirements imposed.

Other new reporting requirements under the proposal include an annual report on performance improvement based on measures developed by the State in its State plan, and a requirement that States provide the Secretary of HHS with monthly caseload data no more than three months after each current month. Finally, the Secretary of HHS must provide an annual report to Congress by July 1 of each subsequent fiscal year, which is to include information provided by the States in their annual reports to the Secretary on program characteristics.

REASON FOR CHANGE

Since the 1996 welfare reform law was enacted, data reported to the Secretary has been critical in evaluating the impacts of various State and local programs. The legislation conforms data reporting elements with the proposal's increased emphasis on work among current recipients. Based on the information provided to the Congress in the Secretary's Annual Report, there appear to be several areas on which additional information is needed to improve Congressional oversight of the program. For example, Congress does not have complete information on what State programs are funded with TANF dollars, and whether and what benefits are provided to families beyond the 60 month time limit. Another area in which additional information is needed relates to the changing nature of TANF programs in the direction of providing improved supports. While it is unreasonable to expect States to provide information on individuals receiving work supports, additional information on the types of supports provided to those receiving cash benefits and aggregate data on those receiving work supports in lieu of cash benefits would provide a better picture of State welfare programs.

Finally, the legislation's requirement that States provide information on all activities performed by adults on assistance and their fulfillment of self-sufficiency plan requirements would provide a clearer picture of the work and other activities in which recipients are engaged. Current data reflects that as of fiscal year 2000, a full 58 percent of work eligible adults were participating in no hours of work or other activities, making this an area in which the Congress is interested in receiving additional data in accordance with the strengthened work requirements provided under the Committee legislation.

Section 114. Direct Funding and Administration by Indian Tribes

PRESENT LAW

In cases in which an Indian tribe applies to administer a Tribal family assistance program, the State's TANF block grant is reduced by an amount equal to the Federal pre-TANF payments to the State attributable to Indians. A separate appropriation of \$7.6 million annually is provided for work and training activities (now known as Native Employment Works [NEW]) to tribes that operated a pre-TANF work and training program.

EXPLANATION OF PROVISION

Continues Indian tribal assistance grants and NEW work/training grants through fiscal year 2007.

REASON FOR CHANGE

Makes conforming amendment.

Section 115. Research, Evaluations, and National Studies

PRESENT LAW

The law authorizes the Secretary to conduct a series of research studies, demonstration projects, and evaluations and appropriates \$15 million annually for such activities.

EXPLANATION OF PROVISION

The legislation extends the annual appropriation for research of \$15 million for each of fiscal years 2003 through 2007. Additionally, the Secretary is provided with an additional \$102 million fund for research and demonstration projects and for technical assistance to States, tribal organizations, and other entities chosen by the Secretary for each fiscal year through 2007. These additional funds shall be spent primarily on activities described under the marriage promotion grants as provided in section 103 above. Of this \$102 million fund, \$2 million per year shall be used for demonstration projects conducted by the Secretary of HHS to allow eligible Indian tribes to coordinate child welfare and TANF services and assistance.

Finally, the Secretary, in consultation with the Attorney General, is required to report to Congress on the enforcement of affidavits of support and sponsor deeming as required under relevant provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

REASON FOR CHANGE

Research, demonstrations, and technical assistance are a critical feature of the TANF program. Given the flexible nature of the block grant program, States have broad latitude to develop innovative programs that may be replicated by other States. The new \$100 million fund authorized by the Committee bill would help answer important questions about what types of interventions may prevent divorce, increase and strengthen healthy marriages, and prevent and reduce the incidence of out-of-wedlock births. As scarce resources have been devoted to these important purposes of the

TANF program, this new fund would play a critical role in developing and promoting best practices across the country. In addition, this new fund will provide much needed funding for technical assistance to tribal organizations as they work to create and develop TANF programs to meet the unique needs of their members.

The new demonstration authority for Indian tribes is intended to support tribes that receive funds under the Title IV–B Child Welfare Services or Promoting Safe and Stable Families programs but do not have access to the Title IV–E Adoption and Foster Care program. Parents seeking temporary assistance through the TANF program and those caring for children who have been subject to abuse and neglect or at-risk of such maltreatment often face similar and complex service needs. The demonstration authority will help tribes improve coordination between these two programs; strengthen families by providing assistance and services necessary to prevent family disruption; and, when necessary, support out-of-home placements to safely care for children.

The Committee seeks information from HHS and the U.S. Department of Justice to verify that affidavit of support and sponsor deeming provisions are being implemented as the 1996 law intended. The Committee is concerned that the appropriate procedures and guidance to State and local governments have not been put in place in order to ensure these provisions are implemented.

The Committee finds that Goodwill Industries is one of many examples of organizations that have contributed significantly to the success of welfare reform across the country, and that State and local governments may consider expanding or establishing future partnerships with such outstanding community groups when developing strategies to support individuals with special challenges in making the transition to work.

Section 116. Study by the Census Bureau

PRESENT LAW

The Census Bureau is directed to expand the Survey of Income and Program Participation (SIPP) to obtain data with which to evaluate TANF's impact on a random national sample of recipients. Appropriations are authorized at \$10 million annually for seven fiscal years.

EXPLANATION OF PROVISION

The legislation directs the Census Bureau to expand the Survey of Income and Program Participation (SIPP) to obtain data with which to evaluate TANF's impact on the economic and child well-being of low-income families with children. The legislation directs that the survey include information necessary to examine issues of out-of-wedlock childbearing, marriage, welfare dependency, the beginning and ending of spells of assistance, work, earnings and employment stability, and the well-being of children. Appropriations are authorized at \$10 million annually for fiscal years 2003 through 2007.

REASON FOR CHANGE

The SIPP has been used widely by public and private researchers to assess impacts of the TANF program. This provision reauthor-

izes and refocuses future data collection efforts on areas of particular interest to the Committee, including out-of-wedlock child-bearing, length of stay on welfare, earnings and employment stability, and child well-being.

Section 117. Definitions of Assistance

PRESENT LAW

Receipt of assistance by a parent or other caretaker relative triggers work and time limit rules. Current law does not define the term “assistance,” however. By regulation, assistance is defined as ongoing aid to meet basic needs, plus support services such as child care and transportation subsidies, for unemployed recipients. It excludes non-recurring short-term benefits.

EXPLANATION OF PROVISION

The legislation specifically defines “assistance” to mean payment, by cash, voucher, or other means, to or for an individual or family to meet a subsistence need, but not including costs of transportation or child care. It excludes non-recurring short-term benefits.

REASON FOR CHANGE

This provision codifies regulations important in determining how long individuals may receive cash benefits and when work requirements and penalties should be imposed. Clarifying that child care and transportation subsidies should never be considered assistance would provide States additional flexibility in supporting individuals who have left welfare and prevent welfare dependence for others.

Section 118. Technical Corrections

PRESENT LAW

Not applicable.

EXPLANATION OF PROVISION

Makes a number of technical corrections in keeping with various legislative changes.

REASON FOR CHANGE

Technical corrections.

Section 119. Fatherhood Program

Section 120 of the Committee legislation amends Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193) to add a new Fatherhood program to the Social Security Act as a new Part C of Title IV, as follows:

Part C—Fatherhood Program

Section 441 of Part C—Findings

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Details evidence of the need to promote and support involved, committed, and responsible fatherhood, and to encourage and support healthy marriages between parents raising children.

REASON FOR CHANGE

The Committee is very interested in finding ways to reverse the negative impacts of single-parent families on both adults and children. One solution is to increase, in appropriate situations, the incidence of marriage. Whether or not marriage occurs, a second approach is to promote the involvement of single fathers in the lives of their children. Even when fathers do not live with their children, they still have a responsibility to participate in the child's rearing and to work with the mother to provide a solid foundation for the child's development. Economic support is another important part of the father's role in the family. Since many poor fathers have a weak and sporadic connection to the workforce, fatherhood projects would work to increase the number of employed fathers and improve the work skills of employed fathers to help them increase their income and be better able to provide economic support, including child support, to the family. The purposes selected by the Committee would help define projects that would contribute to addressing the problems associated with single-parent families.

Section 441 of Part C—Purposes

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The first of the three purposes is to provide for projects and activities by public entities and nonprofit community entities, including religious organizations, to test promising approaches to accomplishing the following four objectives: (1) promoting responsible, caring, and effective parenting and encouraging positive father involvement, including the positive involvement of non-resident fathers; (2) enhancing the abilities and commitment of unemployed or low-income fathers to provide support for their families and to avoid or leave welfare; (3) improving fathers' ability to effectively manage family business affairs; and (4) encouraging and supporting healthy marriages and married fatherhood.

The second purpose is to improve outcomes for children such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide.

The third purpose is to evaluate approaches and disseminate findings to encourage replication of effective approaches to achieving the desired outcomes for both parents and children.

REASON FOR CHANGE

Children reared in female-headed families are more likely to live in poverty, fail in school, be arrested, have children outside mar-

riage, and go on welfare themselves. To help address these problems, the Committee legislation would implement a fatherhood grant program to provide funding for projects to work directly with fathers, especially those in poverty. The fatherhood projects would emphasize healthy marriage, parenting, and employment and may be able to have an impact on both the number of children being reared in single-parent families and, where marriage is not a possibility, to strengthen the relationship between single fathers and their children. Most Federal and State social programs, including welfare, are aimed primarily at helping single mothers. The fatherhood grant program acknowledges that Congress is interested in helping fathers improve their financial independence, manage their financial affairs, and strengthen their ability to support a family.

Section 442 of Part C—Definitions

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Declares the terms “Indian tribe” and “tribal organization” to have the meanings given them in subsections (e) and (l), respectively, of Section 4 of the Indian Self-Determination and Education Assistance Act.

REASON FOR CHANGE

Clarifies the definition of “Indian tribe” and “tribal organization” as they relate to the fatherhood grant program.

Section 443 of Part C—Competitive Grants for Service Projects

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Secretary of HHS is authorized to make grants for fiscal year 2003 through fiscal year 2007 to public and nonprofit community entities, including religious organizations, and to Indian tribes and tribal organizations, for demonstration service projects and activities designed to test the effectiveness of various approaches to accomplish four objectives.

Full service grant projects require an applying entity to submit an application to the Secretary. The application must contain: (1) a description of the project and how it will be carried out; (2) information about the applicant’s ability to carry out the project, and such other qualifications as the Secretary may require; (3) a description of how the applicant will address child abuse and domestic violence, including how the applicant will coordinate with State and local child protective service and domestic violence programs; (4) a commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such

problems, as appropriate; and (5) a description of how the project would coordinate, as appropriate, with State and local entities responsible for Welfare-to-Work, Child Support Enforcement, and Child Welfare Service programs under Title IV of the Social Security Act, programs under Title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require. In addition, the application would include an agreement to maintain records, make reports, and cooperate with reviews or audits as required by the Secretary and an agreement to cooperate with the Secretary's evaluation of the project.

An application for a limited purpose grant of less than \$25,000 per fiscal year must contain similar but more limited information and descriptions than those required for full service grants as provided above.

In awarding grants, the Secretary must seek to achieve a balance among entities of differing sizes, entities in differing geographic areas, entities in urban and in rural areas, and entities employing differing methods of achieving the four specified objectives. Also, the Secretary may give preference to projects in which a majority of the clients to be served are low-income fathers.

Federal grant funds may be used for up to 80 percent of the annual costs of full-service projects (or up to 90 percent if the entity demonstrates circumstances limiting the entity's ability to secure non-Federal resources), and for up to 100 percent of annual costs for limited-purpose projects. The non-Federal share may be in cash or in kind.

REASON FOR CHANGE

Funding both full service grant and limited purpose grant projects would enable the Secretary to collect valuable information about the effectiveness of using different approaches to meet the goals of the fatherhood grant program. During Committee hearings on fatherhood issues in the 106th and 107th Congress, Members expressed interest in a variety of fatherhood programs—from those addressing the needs of inner city populations to those run by a rural faith-based group working to address specific problems in a small community. Of particular interest are programs that help young low-income fathers meet their child support obligations, both current and past due. One approach, that has been used on a limited basis in Maryland, Iowa, and Montana, is to consider compromising arrearages owed to the State when the non-custodial parent has kept current on a child support payment plan for a specific period of time or has enrolled and completed a responsible fatherhood project where they go to work and complete certain activities.

Section 444 of Part C—Multicity, Multistate Demonstration Projects

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Secretary will award grants for fiscal year 2003 through fiscal year 2007 for two multi-city, multi-State fatherhood projects demonstrating approaches to achieving the four specified objec-

tives. One of the projects is required to test the use of married couples to deliver program services. The legislation specifies conditions for an entity eligible for such grants.

Federal grant funds for multi-city, multi-State demonstration projects may be used for up to 80 percent of the annual costs of the demonstration projects. The non-Federal share may be in cash or in kind.

REASON FOR CHANGE

It is important that some experienced fatherhood organizations develop grant projects in major cities. The Committee is aware of a number of these organizations that have sponsored fatherhood programs in inner-city areas, have experience working with State and local agencies, and have the capacity to design projects that would improve outcomes for fathers. The Committee expects the selected projects to provide project information with the Secretary that can be shared with other programs.

Section 445 of Part C—Evaluation

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Secretary would evaluate the effectiveness of the selected competitive grants for service projects and selected multi-city, multi-State demonstration projects from the standpoint of the four specified objectives.

Evaluations under this section must use assessment methods including random assignment of clients to service delivery and control groups, a description and measurement of the effectiveness of the projects in achieving their goals, and a description and assessment of their impact on marriage, parenting, domestic violence, child abuse, money management, employment and earnings, payment of child support, and child well-being, health, and education.

The Secretary must publish an implementation evaluation report covering the first 24 months of the activities within 36 months of the initiation of such activities. A final report on the evaluation is to be completed by September 30, 2010.

REASON FOR CHANGE

Carefully evaluating the fatherhood projects and their outcomes would help the Secretary determine the best approaches to meet program objectives. The Committee is interested in maximizing information for Congress and others to review whether a project has been effective.

Section 446 of Part C—Projects of National Significance

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Secretary is authorized, by grant, contract or cooperative agreement, to carry out projects and activities of national signifi-

cance relating to fatherhood promotion. These projects and activities may include: collection and dissemination of information to interested parties information regarding approaches to accomplishing the four specified objectives; development, promotion, and distribution of a media campaign that promotes and encourages involved, committed, and responsible fatherhood and married fatherhood; technical assistance in the implementation of local fatherhood promotion programs, and conducting research related to the purposes of the fatherhood program.

REASON FOR CHANGE

To assist State and local projects that are working to help young and especially poor fathers become better husbands, parents, and providers, fatherhood projects of national significance will produce, collect, and distribute information about accomplishing the goals of the fatherhood program. Other allowable activities such as a media campaign, technical assistance, and research would help encourage involved, committed, and responsible fatherhood and married fatherhood.

Section 447 of Part C—Nondiscrimination

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The projects and activities assisted must be made available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and non-custodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers.

REASON FOR CHANGE

This provision clarifies the intent of the Committee regarding nondiscrimination.

Section 448 of Part C—Authorization Of Appropriations; Reservation For Certain Purposes

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Authorizes \$20 million for each of fiscal years 2003 through 2007. Not more than 15 percent of the annual appropriations shall be available for the costs of the multi-city, multi-State demonstration projects under Section 444, evaluations under Section 445, and projects of national significance under Section 446.

REASON FOR CHANGE

This level of funding is appropriate for initiating the program so it can provide valuable information about effective approaches that

help young men become better fathers and play a more significant role in family life.

Section 120. Increased Analysis of State Single Audit Reports

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Secretary is required to analyze State Single Audit Reports within 3 months of receipt by the Secretary, and to identify the extent and nature of problems related to the oversight by the State of non-governmental entities under contract to operate State welfare programs. The Secretary is also required to determine what additional actions are needed for the State to help prevent and correct any problems. The information from this additional review is to be incorporated in the Secretary's Annual Report to Congress.

REASON FOR CHANGE

This provision responds to findings from a recent GAO report on the Single Audit process and HHS' oversight of the audits.

TITLE II. CHILD CARE

Section 201. Entitlement Funding

PRESENT LAW

States are entitled to child care block grant funding based on fiscal years 1992 through 1995 expenditures in welfare-related child care. Mandatory funds above this amount are provided to States on a matching basis. Appropriations for the entitlement (mandatory) funds are set forth for each year, rising to \$2.717 billion in fiscal year 2002.

EXPLANATION OF PROVISION

The legislation provides \$2.717 billion in mandatory funding for the child care block grant (continuing fiscal year 2002 levels) in each of fiscal years 2003 through 2007.

REASON FOR CHANGE

The record high Federal funding levels for the mandatory portion of the Child Care and Development Block Grant are continued each year through 2007, totaling well over \$13 billion over five years.

In addition to maintaining the current record funding level for child care and providing additional State flexibility in use of TANF funds for child care, the Committee anticipates that, provided appropriate offsets for additional mandatory funding are located, more funds will be added to the Child Care and Development Block Grant as the Committee bill moves through the legislative process. Should such increases be provided, the Committee urges States to consider giving priority to the need for increased infant and after-hour care.

TITLE III. CHILD SUPPORT

Section 301. Federal Matching Funds for Limited Pass Through of Child Support Payments to Families Receiving TANF

PRESENT LAW

While a family receives TANF benefits, the State is permitted to retain any current child support payments and any assigned arrearages it collected up to the cumulative amount of TANF benefits which have been paid to the family. The State may share some, all, or none of the child support collected on behalf of a TANF family with the family. The State is required to pay the Federal government the Federal share of the child support collected, even if the State shares its collections with the family.

EXPLANATION OF PROVISION

For families receiving TANF benefits, if the State passes through to the family up to the greater of \$100 per month or \$50 over the State's stipulated pass through as of December 31, 2001, Federal matching funds would be available. To obtain the Federal match, the State has to disregard the amount passed through in determining the TANF benefit amount. This provision would take effect beginning October 1, 2004.

REASON FOR CHANGE

The Committee legislation provides that current and former welfare families receive more of the child support collected from non-custodial parents. By providing a Federal match for child support collections of up to \$100 (or if greater, \$50 more than the recent level) that are passed through to current TANF families, States would be given an incentive to enact such a policy. These additional funds for current TANF families would help the family by encouraging a stronger connection between the family and the absent parent, providing additional regular income for the family, and allowing the paying parent to see that at least part of their child support payments are actually going to the family, rather than being retained by the government.

Section 302. State Option to Pass Through All Child Support Payments to Families That Formerly Received TANF

PRESENT LAW

Current child support payments must be paid to the family if the family is no longer on TANF. With respect to former TANF families, since October 1, 1997, child support arrearages that accrue after the family leaves TANF are required to be paid to the family before any monies may be retained by the State. Since October 1, 2000, child support arrearages that accrued before the family began receiving TANF also are required to be distributed to the family first. If child support arrearages are collected through the Federal income tax refund offset program, the family does not have first claim on the arrearage payments, the State and the Federal government retain such arrearage payments.

EXPLANATION OF PROVISION

If the family has left TANF, States may distribute to the family the full amount of child support collected on their behalf (i.e., both current child support and child support arrearages). The Federal government would share with the States the costs of paying child support arrearages accrued while the family received TANF. This provision would take effect beginning October 1, 2004.

REASON FOR CHANGE

Providing additional funds to single-parent families leaving welfare would increase the parents' incentive to leave welfare, improve the chances that they will be able to sustain themselves and their children without falling back on welfare, and contribute to strengthening the bond between children and non-custodial parents.

Section 303. Mandatory Review and Adjustment of Child Support Orders for Families Receiving TANF

PRESENT LAW

States are required to have procedures under which every three years the State reviews and adjusts (if appropriate) child support orders at the request of either parent. In addition, in the case of TANF families, the State is required to review and update (if appropriate) child support orders at the request of the State Child Support Enforcement agency or of either parent.

EXPLANATION OF PROVISION

States are required to review and, if appropriate, adjust child support orders in both TANF and non-TANF cases every three years, at the request of either parent or the State CSE agency (in the case of a TANF family). This provision would take effect on October 1, 2004.

REASON FOR CHANGE

Factors such as inflation, unemployment, promotion, job change, marriage, or disability can cause child support orders to become outdated and in need of adjustment. Although requiring regular review of child support orders would involve the investment of time and money by States, according to the Congressional Budget Office, both States and the Federal government would save money if child support orders were updated every 3 years. In addition to this cost saving, a regular review and modification of child support orders would promote fairness for both custodial and non-custodial parents. For custodial parents, positive changes in the financial condition of the non-custodial parent can result in higher child support payments for families. For non-custodial parents experiencing economic difficulties, proper adjustment of a child support order would help prevent them from accumulating unnecessary debt while allowing for continued, though perhaps lower, regular financial contribution to the monthly income needs of the child.

Section 304. Mandatory Fee for Successful Child Support Collection for Family That Has Never Received TANF

PRESENT LAW

Non-welfare families applying for child support enforcement program services must be charged an application fee that cannot exceed \$25. States have the option of recovering costs in excess of the application fee. Such recovery may be from either the custodial parent or the noncustodial parent.

EXPLANATION OF PROVISION

Families that have never been on TANF are required to pay a \$25 annual user fee in cases where child support enforcement efforts are successful in collecting at least \$500. This provision would take effect October 1, 2003.

REASON FOR CHANGE

The implementation of user fees in certain non-welfare cases contributes to offsetting the costs of the program and is a reasonable expectation, especially with the added provision limiting the fee collection to only those cases in which at least \$500 is collected. In addition, this action represents a step away from the perception that the purpose of the child support enforcement program is to recoup welfare benefits, and toward a focus on families and a strengthened child support enforcement program.

Section 305. Report on Undistributed Child Support Payments

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Within six months of enactment, the Secretary of HHS must submit to Congress a report on the procedures States use to locate custodial parents for whom child support has been collected but not yet distributed. The report would be required to include recommendations on actions to expedite the payment of undistributed child support.

REASON FOR CHANGE

The Committee is interested in learning more about the problem of collected child support payments that are being held by the State rather than being distributed to families because of problems such as an incorrect address. The Secretary is directed to examine this problem and its causes, estimate the amount of money that is undistributed and the length of time for which it is undistributed, and make recommendations on State or Federal policy changes that would effectively address this problem.

Section 306. Use of New Hire Information to Assist in Administration of Unemployment Compensation Programs

PRESENT LAW

All employers are required to report basic information on every newly hired employee to the State. States are then required to collect all this information in the State Directory of New Hires, to use this information to locate noncustodial parents who owe child support and send a wage withholding order to their employer, and to (within three business days) report all information in their State Directory of New Hires to the National Directory of New Hires. Information in the State Directory of New Hires is used by State Employment Security Agencies (the agency that operates the State Unemployment Compensation program) to match against unemployment compensation records to determine whether people are actually working and fraudulently drawing unemployment compensation benefits.

EXPLANATION OF PROVISION

State Employment Security Agencies are authorized to request and receive information from the National Directory of New Hires in order to help detect fraud in the unemployment compensation system. This provision would take effect on October 1, 2003.

REASON FOR CHANGE

States have successfully used matches between their State Directory of New Hires and unemployment compensation records to identify individuals who are inappropriately drawing unemployment compensation benefits while working. Unemployment compensation payments to these individuals are stopped quickly, saving money and reducing fraud. However, if an individual is working in a different State than the one in which unemployment compensation benefits are being drawn, the State paying unemployment benefits is not able to detect this fraud because they do not have access to Federal Directory of New Hires for comparison. According to the Congressional Budget Office, allowing States access to the National Directory of New Hires would reduce fraud by \$66 million over five years.

Section 307. Decrease in Amount of Child Support Arrearage Triggering Passport Denial

PRESENT LAW

The Secretary of HHS is required to submit to the Secretary of State the names of noncustodial parents who have been certified by the State Child Support Enforcement agency as owing more than \$5,000 in past-due child support. The Secretary of State has authority to deny, revoke, restrict, or limit passports to noncustodial parents whose child support arrearages exceed \$5,000.

EXPLANATION OF PROVISION

The amount of past-due child support that triggers passport denial, revocation, or restriction to noncustodial parents is reduced

from \$5,000 to \$2,500. This provision would take effect on October 1, 2003.

REASON FOR CHANGE

The passport denial program has proved to be an effective method for collecting past-due child support payments. In fiscal year 2000, individuals with child support arrearages paid \$3.6 million in lump sum child support payments to avoid losing their passports. By lowering the amount that triggers passport revocation, even more child support would be collected to help more families.

Section 308. Use of Tax Refund Intercept Program to Collect Past-Due Child Support on Behalf of Children Who are Not Minors

PRESENT LAW

Federal law prohibits the use of the Federal income tax offset program to recover past-due child support on behalf of non-welfare cases in which the child is not a minor.

EXPLANATION OF PROVISION

The Federal income tax refund offset program may be used to collect arrearages on behalf of non-welfare cases in which the child is no longer a minor. This provision would take effect on October 1, 2004.

REASON FOR CHANGE

Originally proposed as part of H.R. 4071 in the 106th Congress, this provision promotes equal treatment of all child support debts, increases collections, and strengthens the important message that child support debts cannot be avoided by withholding payment until the child is no longer a minor.

Section 309. Garnishment of Compensation Paid to Veterans for Service-Connected Disabilities in Order to Enforce Child Support Obligations

PRESENT LAW

The disability compensation benefits of veterans are treated differently than most forms of government payment for purposes of paying child support. Whereas most government payments are subject to being automatically withheld to pay child support, veteran's disability compensation is not subject to intercept. The only exception occurs when veterans have elected to forego some of their retirement pay in order to collect additional disability payments. The advantage of veterans replacing retirement pay with disability pay is that the disability pay is not subject to taxation. With this exception, which occurs rarely, the only way to obtain child support payments from veterans' disability compensation is to request that the Secretary of the U.S. Department of Veterans Affairs intercept the disability compensation and make the child support payments.

EXPLANATION OF PROVISION

Veterans' disability compensation benefits are allowed to be intercepted and paid on a routine basis to the custodial parent if the veteran is 60 days or more in arrears on child support pay-

ments. This provision cannot be used to collect alimony and no more than 50 percent of any particular disability payment can be withheld. This provision would take effect on October 1, 2004.

REASON FOR CHANGE

The Ways and Means Committee has been supportive of allowing veterans' disability payments to be subject to withholding to enforce child support obligations. Nonetheless, by allowing withholding only after the veteran has been 60 days in arrears on child support obligations, veterans' disability payments would continue to be treated differently than most other government payments; the Committee believes the fact that veterans are receiving the payments because they were injured in the line of duty justifies this continued differential treatment.

Section 310. Improving Federal Debt Collection Practices

PRESENT LAW

Any Federal agency that is owed a nontax debt that is more than 180 days past-due must notify the Secretary of the Treasury to obtain an administrative offset of the debt. Currently, Social Security payments can only be offset for Federal debt recovery.

EXPLANATION OF PROVISION

The Federal administrative offset program is expanded to allow certain Social Security benefits to be offset to collect unpaid child support on behalf of families receiving Child Support Enforcement program services in appropriate cases selected by the States.

REASON FOR CHANGE

To further increase the amount of child support collected, this provision adds another enforcement tool to achieve that goal. While maintaining current safeguards such as offset thresholds, this provision provides a limited expansion that would help collect unpaid child support obligations and assist additional families with children in avoiding unnecessary dependence on welfare.

Section 31. Maintenance of Technical Assistance Funding

PRESENT LAW

The Secretary is authorized to use one percent of the Federal share of child support collected on behalf of TANF families the preceding year to provide for information dissemination and technical assistance, training of State and Federal staff, staffing studies, and related activities needed to improve Child Support Enforcement programs (including technical assistance concerning State automated systems), and research, demonstration and special projects of regional or national significance relating to the operation of child support programs.

EXPLANATION OF PROVISION

The Secretary is authorized to use one percent of the Federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for fiscal year 2002,

whichever is greater, to provide for activities described under current law.

REASON FOR CHANGE

Funding authorized under this provision is an important element of the Federal government's oversight of the development of State automated child support program systems. This provision would help maintain an adequate funding stream for much needed technical assistance as HHS works to bring all States into compliance with the automated system requirements of the 1996 welfare reform law.

Section 312. Maintenance of Federal Parent Locator Service Funding

PRESENT LAW

The Secretary of HHS is authorized to use two percent of the Federal share of child support collected on behalf of TANF families the preceding year for operation of the Federal Parent Locator Service to the extent that the costs of the Federal Parent Locator Service are not recovered by user fees.

EXPLANATION OF PROVISION

The Secretary is authorized to use two percent of the Federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for fiscal year 2002, whichever is greater, for operation of the Federal Parent Locator Service to the extent that the costs of the Federal Parent Locator Service are not recovered by user fees.

REASON FOR CHANGE

The Federal Parent Locator Service processes millions of requests for information to help find absent parents in order to secure and enforce child support obligations. This provision would help maintain an adequate funding stream for this important service.

TITLE IV. CHILD WELFARE

Section 401. Extension of Authority to Approve Demonstration Projects

PRESENT LAW

Section 1130(a)(1) and (2) of the Social Security Acts permits the Secretary of HHS to approve State demonstration projects that are likely to promote the objectives of the child welfare programs authorized under Title IV-B and Title IV-E of that Act. This authority is granted for fiscal years 1998 through 2002.

EXPLANATION OF PROVISION

Extends the Secretary's authorization to permit child welfare demonstration projects through fiscal year 2007.

REASON FOR CHANGE

Waivers of Federal Foster Care, Adoption Assistance, and child welfare services programs allow States to seek improvements and efficiencies in child protection programs. For example, managed care approaches to service provision approved under Title IV–E waivers have allowed States to provide increased and support services to a broader range of families than could be accomplished under the restrictive guidelines that govern existing Federal funding streams.

Much has been learned from the existing demonstration projects, particularly as a result of the requirement that projects be rigorously evaluated. Continuation of this activity would yield additional important information on ways to improve the provision of services to children and families in need.

Section 402. Elimination of Limitation on Number of Waivers

PRESENT LAW

Section 1130(a)(2) of the Social Security Act limits to ten the number of demonstration projects the Secretary may grant in a single fiscal year.

EXPLANATION OF PROVISION

Removes the restriction on the number of demonstration projects the Secretary may approve in each fiscal year.

REASON FOR CHANGE

The Secretary's authority to approve child welfare waivers has been increased over time and many States currently operate demonstration projects. Existing waivers have shown that enhanced flexibility can free States and localities to expand and improve services and supports to families without jeopardizing program integrity. Any and all States should have the opportunity to seek out approaches designed to improve child protection services that match local needs. Lifting the cap on the number of waivers that may be approved would ensure that every State has this option.

Section 403. Elimination of Limitation on Number of States That May Be Granted Waivers to Conduct Demonstration Projects on Same Topic

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Asserts that the Secretary may not refuse to grant a particular waiver of child welfare program rules on the grounds that the purpose of the waiver or demonstration project is similar to another waiver or demonstration project.

REASON FOR CHANGE

In the past, the Secretary has narrowly interpreted the agency's waiver authority. States were denied waiver applications on the grounds that the approach had already been tested, despite the fact

that there were no such restrictions imposed in statute. The Committee finds that lessons learned from existing or previous demonstration projects ought to inform future applications on similar topics. Thus, if one State's waiver would benefit children in other States, that waiver should be allowed to apply in those other States.

Section 404. Elimination of Limitation on Number of Waivers That May Be Granted to a Single State for Demonstration Projects

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Asserts that the Secretary may not impose a limit on the number of waivers or demonstration projects that a single State is granted.

REASON FOR CHANGE

In the past, the Secretary has narrowly interpreted waiver authority. The Committee legislation makes clear that States have the authority to operate more than one waiver at a time. As many waivers are narrowly focused on a particular service need, eligibility category, or local area, it is important that the number of waivers or demonstration projects granted a single State not be arbitrarily limited.

Section 405. Streamlined Process for Consideration of Amendments to and Extensions of Demonstration Projects Requiring Waivers

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Requires the Secretary to develop a "streamlined process" for considering amendments or extensions that States propose to their demonstration projects.

REASON FOR CHANGE

The process for making adjustments or extensions to child welfare demonstration projects in the past has been lengthy and overly bureaucratic. While the Committee finds that the current Administration has made dramatic improvements to the waiver approval process, particularly as it affects waivers of health care provisions, the legislation would ensure there is an expedited process for child welfare waiver extensions and amendments in the future. The legislation would not in any way diminish the authority of the Secretary to raise and require States to address any issues that may affect children's health and safety.

Section 406. Availability of Reports

PRESENT LAW

Section 1130(f)(1) and (2) of the Social Security Act provides that States conducting demonstration projects under a waiver granted by the Secretary must obtain an evaluation of the project's effec-

tiveness and must provide interim and final evaluation reports to the Secretary when and in the manner, that the Secretary requests.

EXPLANATION OF PROVISION

Requires the Secretary to make available to States or other interested parties any of the demonstration project evaluation reports that it requests and any demonstration project evaluation or report made by the Secretary which may promote best practices and program improvements.

REASON FOR CHANGE

The child welfare waiver authority requires rigorous evaluation and studies of each project. This information can provide important guidance to other States as they consider waiver applications or other improvements to child protection programs. The legislation requires the Secretary to ensure that the findings from these demonstration reviews are made available to other States and interested parties.

Section 407. Technical Correction

PRESENT LAW

Section 1130(b)(1) of the Social Security Act specifies States that the Secretary of HHS may not waive compliance with certain provisions under Title IV–B and IV–E, including those provisions under “Section 422(b)(9).”

EXPLANATION OF PROVISION

Changes this reference to Section 422(b)(10). This technical correction is necessary because the cited language was renumbered in 1997 (P.L. 105–33) without the necessary conforming amendment to Section 1130 of the Social Security Act.

REASON FOR CHANGE

This is a technical change to correct a cross-reference.

TITLE V. SUPPLEMENTAL SECURITY INCOME

Section 501. Review of State Agency Blindness and Disability Determinations

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The Commissioner of Social Security is required to review determinations made by State agencies that adult applicants became blind or disabled as of a specified onset date. Review is required of at least 20 percent of determinations made in fiscal year 2003, 40 percent of those made in fiscal year 2004, and 50 percent of those made in fiscal year 2005 and subsequent years.

REASON FOR CHANGE

Under current law, the Commissioner of Social Security is required to review certain eligibility determinations made for Social Security disability insurance program claims that are made by State agencies. This practice ensures consistent and uniform application of SSA policies. By expanding this review provision to selected Supplemental Security Income adult disability cases, the practice would be extended to help ensure that only beneficiaries disabled under the law receive Supplemental Security Income benefits.

TITLE VI. BROADENED WAIVER AUTHORITY

Section 601. State Program Demonstration Projects

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Establishes new waiver authority that would allow the Secretaries of HHS and Labor, upon request of a State or substate entity, to waive rules in part A of Title IV of the Social Security Act, and Title XX of the Social Security Act. Waiver projects must not increase Federal costs over one or five years. The purpose would be to integrate programs designed to support working individuals and families, helping families escape welfare dependency, promoting child well-being, or helping build stronger families, using innovative approaches to strengthen service systems, and provide more coordinated and effective service delivery.

Waivers may not be granted that affect laws relating to non-discrimination and civil rights, the purposes or goals of any program, maintenance of effort requirements, health or safety standards, labor standards under the Fair Labor Standards Act of 1938, or environmental protection.

REASON FOR CHANGE

Waivers under the Aid to Families with Dependent Children (AFDC) program led to important information about how cash welfare programs could be operated in more efficient and effective ways that benefited low-income families. H.R. 4090 as well as related legislation considered by other committees seeks to offer added opportunities for States to integrate other programs that serve similar populations, but frequently have conflicting or incongruous requirements. Sufficient protections are included in the legislation to ensure that fundamental program purposes are not compromised by demonstration projects, and that various civil rights, health and safety, and labor protections may not be waived. These demonstrations could yield important information for other States and the Nation on how programs serving low-income families may be improved in the future.

TITLE VII. EFFECTIVE DATE

Section 701. Effective Date

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Unless otherwise specified, provisions take effect on October 1, 2002. If the Secretary determines that State legislation is required, more time is allowed (three months after the first regular session of the legislature).

REASON FOR CHANGE

Provides for the effective date of changes while allowing States ample time to make any necessary changes to State laws to comply with the Committee bill.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of the bill, H.R. 4090.

MOTION TO REPORT THE BILL

The bill, H.R. 4090, as amended, was ordered favorably reported by a roll call vote of 23 yeas to 16 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas	X	.....	.....	Mr. Rangel .....	.....	X	.....
Mr. Crane .....	.....	.....	.....	Mr. Stark .....	.....	X	.....
Mr. Shaw	X	.....	.....	Mr. Matsui .....	.....	X	.....
Mrs. Johnson .....	.....	.....	.....	Mr. Coyne .....	.....	X	.....
Mr. Houghton	X	.....	.....	Mr. Levin .....	.....	X	.....
Mr. Herger	X	.....	.....	Mr. Cardin .....	.....	X	.....
Mr. McCrery	X	.....	.....	Mr. McDermott .....	.....	X	.....
Mr. Camp	X	.....	.....	Mr. Kleczka .....	.....	X	.....
Mr. Ramstad	X	.....	.....	Mr. Lewis (GA) .....	.....	X	.....
Mr. Nussle	X	.....	.....	Mr. Neal .....	.....	X	.....
Mr. Johnson	X	.....	.....	Mr. McNulty .....	.....	X	.....
Ms. Dunn	X	.....	.....	Mr. Jefferson .....	.....	.....	.....
Mr. Collins	X	.....	.....	Mr. Tanner .....	.....	X	.....
Mr. Portman	X	.....	.....	Mr. Becerra .....	.....	X	.....
Mr. English	X	.....	.....	Mrs. Thurman .....	.....	X	.....
Mr. Watkins	X	.....	.....	Mr. Doggett .....	.....	X	.....
Mr. Hayworth	X	.....	.....	Mr. Pomeroy .....	.....	X	.....
Mr. Weller	X	.....	.....	Mr. Hulshof .....	.....	X	.....
Mr. McClinnis	X	.....	.....	Mr. Lewis (KY) .....	.....	X	.....
Mr. Foley	X	.....	.....	Mr. Brady .....	.....	X	.....
Mr. Ryan	X	.....	.....	.....	.....	.....	.....

VOTES ON AMENDMENTS

A roll call vote was conducted on the following amendment to the Chairman's amendment in the nature of a substitute.

An amendment by Mr. Rangel, which would allow States to do the following: immediately pass-through child support, receive TANF contingency funds, count individuals who have left welfare

for employment toward their work participation requirement for six months, count individuals with disabilities toward the participation requirement if they are in work or related activities for at least 20 hours a week, maintain current-law participation requirements for mothers with children under the age of 6, count vocational training toward the work participation requirements for up to 12 months; and spend Federal TANF funds to provide assistance and service to legal immigrants, was defeated by a roll call vote of 14 yeas to 22 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X		Mr. Rangel	X		
Mr. Crane				Mr. Stark	X		
Mr. Shaw		X		Mr. Matsui	X		
Mrs. Johnson		X		Mr. Coyne			
Mr. Houghton	X			Mr. Levin	X		
Mr. Herger		X		Mr. Cardin	X		
Mr. McCrery		X		Mr. McDermott	X		
Mr. Camp		X		Mr. Kleczka	X		
Mr. Ramstad		X		Mr. Lewis (GA)	X		
Mr. Nussle		X		Mr. Neal	X		
Mr. Johnson		X		Mr. McNulty			
Ms. Dunn		X		Mr. Jefferson			
Mr. Collins		X		Mr. Tanner	X		
Mr. Portman		X		Mr. Becerra	X		
Mr. English		X		Mrs. Thurman	X		
Mr. Watkins		X		Mr. Doggett	X		
Mr. Hayworth		X		Mr. Pomeroy			
Mr. Weller		X					
Mr. Hulshof		X					
Mr. McClintock		X					
Mr. Lewis (KY)		X					
Mr. Foley		X					
Mr. Brady		X					
Mr. Ryan		X					

An amendment by Mr. Cardin, which would add limited participation in vocational or educational training (including postsecondary education) to the list of allowable work activities, was defeated by a roll call vote of 16 yeas to 21 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X		Mr. Rangel	X		
Mr. Crane				Mr. Stark	X		
Mr. Shaw		X		Mr. Matsui	X		
Mrs. Johnson		X		Mr. Coyne			
Mr. Houghton		X		Mr. Levin	X		
Mr. Herger		X		Mr. Cardin	X		
Mr. McCrery		X		Mr. McDermott	X		
Mr. Camp		X		Mr. Kleczka	X		
Mr. Ramstad	X			Mr. Lewis (GA)	X		
Mr. Nussle		X		Mr. Neal	X		
Mr. Johnson		X		Mr. McNulty			
Ms. Dunn		X		Mr. Jefferson			
Mr. Collins	X			Mr. Tanner	X		
Mr. Portman		X		Mr. Becerra	X		
Mr. English		X		Mrs. Thurman	X		
Mr. Watkins		X		Mr. Doggett	X		
Mr. Hayworth		X		Mr. Pomeroy	X		
Mr. Weller		X					
Mr. Hulshof		X					
Mr. McClintock		X					
Mr. Lewis (KY)		X					

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

An amendment by Mr. Stark, which would increase funding of the child care development block grant by \$11.25 billion over 5 years, was defeated by a roll call vote of 13 yeas to 22 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X	.....	Mr. Rangel	X	.....	.....
Mr. Crane	Mr. Stark	X	.....	.....
Mr. Shaw		X	.....	Mr. Matsui	X	.....	.....
Mrs. Johnson		X	.....	Mr. Coyne	X	.....	.....
Mr. Houghton		X	.....	Mr. Levin	X	.....	.....
Mr. Herger		X	.....	Mr. Cardin	X	.....	.....
Mr. McCrery		X	.....	Mr. McDermott .....	.....	.....	.....
Mr. Camp		X	.....	Mr. Kleczka	X	.....	.....
Mr. Ramstad		X	.....	Mr. Lewis (GA) .....	.....	.....	.....
Mr. Nussle		X	.....	Mr. Neal	X	.....	.....
Mr. Johnson	Mr. McNulty	X	.....	.....
Ms. Dunn		X	.....	Mr. Jefferson .....	.....	.....	.....
Mr. Collins		X	.....	Mr. Tanner	X	.....	.....
Mr. Portman		X	.....	Mr. Becerra	X	.....	.....
Mr. English		X	.....	Mrs. Thurman	X	.....	.....
Mr. Watkins		X	.....	Mr. Doggett	X	.....	.....
Mr. Hayworth		X	.....	Mr. Pomeroy	X	.....	.....
Mr. Weller		X	.....			
Mr. Hulshof		X	.....			
Mr. McInnis		X	.....			
Mr. Lewis (KY)		X	.....			
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

An amendment by Mr. Levin, which would replace the case-load reduction credit with an enhanced employment credit, was defeated by a roll call vote of 15 yeas to 20 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X	.....	Mr. Rangel	X	.....	.....
Mr. Crane	Mr. Stark	X	.....	.....
Mr. Shaw		X	.....	Mr. Matsui	X	.....	.....
Mrs. Johnson	Mr. Coyne	X	.....	.....
Mr. Houghton	Mr. Levin	X	.....	.....
Mr. Herger		X	.....	Mr. Cardin	X	.....	.....
Mr. McCrery		X	.....	Mr. McDermott	X	.....	.....
Mr. Camp		X	.....	Mr. Kleczka	X	.....	.....
Mr. Ramstad		X	.....	Mr. Lewis (GA)	X	.....	.....
Mr. Nussle	Mr. Neal	X	.....	.....
Mr. Johnson		X	.....	Mr. McNulty	X	.....	.....
Ms. Dunn		X	.....	Mr. Jefferson .....	.....	.....	.....
Mr. Collins		X	.....	Mr. Tanner	X	.....	.....
Mr. Portman		X	.....	Mr. Becerra	X	.....	.....
Mr. English		X	.....	Mrs. Thurman	X	.....	.....
Mr. Watkins		X	.....	Mr. Doggett .....	.....	.....	.....
Mr. Hayworth		X	.....	Mr. Pomeroy	X	.....	.....
Mr. Weller		X	.....			
Mr. Hulshof		X	.....			
Mr. McInnis		X	.....			
Mr. Lewis (KY)		X	.....			
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

An amendment by Mr. Becerra, which would remove the five-year ban from current law that prevents States from using Federal TANF funds to serve legal immigrants of the United States, was defeated by a roll call vote of 15 yeas to 22 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X	.....	Mr. Rangel	X	.....	.....
Mr. Crane	Mr. Stark	X	.....	.....
Mr. Shaw		X	.....	Mr. Matsui	X	.....	.....
Mrs. Johnson		X	.....	Mr. Coyne	X	.....	.....
Mr. Houghton		X	.....	Mr. Levin	X	.....	.....
Mr. Herger		X	.....	Mr. Cardin	X	.....	.....
Mr. McCrery		X	.....	Mr. McDermott	X	.....	.....
Mr. Camp		X	.....	Mr. Kleczka .....	.....	.....	.....
Mr. Ramstad		X	.....	Mr. Lewis (GA)	X	.....	.....
Mr. Nussle		X	.....	Mr. Neal	X	.....	.....
Mr. Johnson		X	.....	Mr. McNulty	X	.....	.....
Ms. Dunn		X	.....	Mr. Jefferson .....	.....	.....	.....
Mr. Collins		X	.....	Mr. Tanner	X	.....	.....
Mr. Portman		X	.....	Mr. Becerra	X	.....	.....
Mr. English		X	.....	Mrs. Thurman	X	.....	.....
Mr. Watkins		X	.....	Mr. Doggett	X	.....	.....
Mr. Hayworth	Mr. Pomeroy	X	.....	.....
Mr. Weller		X	.....			
Mr. Hulshof		X	.....			
Mr. McClinnis		X	.....			
Mr. Lewis (KY)		X	.....			
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

An amendment by Mr. Rangel, which would make Puerto Rico, the Virgin Islands, and Guam eligible for the supplemental grants, contingency funds, and mandatory child care under TANF, was defeated by a roll call vote of 16 yeas to 23 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X	.....	Mr. Rangel	X	.....	.....
Mr. Crane	Mr. Stark	X	.....	.....
Mr. Shaw		X	.....	Mr. Matsui	X	.....	.....
Mrs. Johnson		X	.....	Mr. Coyne	X	.....	.....
Mr. Houghton		X	.....	Mr. Levin	X	.....	.....
Mr. Herger		X	.....	Mr. Cardin	X	.....	.....
Mr. McCrery		X	.....	Mr. McDermott	X	.....	.....
Mr. Camp		X	.....	Mr. Kleczka	X	.....	.....
Mr. Ramstad		X	.....	Mr. Lewis (GA)	X	.....	.....
Mr. Nussle		X	.....	Mr. Neal	X	.....	.....
Mr. Johnson		X	.....	Mr. McNulty	X	.....	.....
Ms. Dunn		X	.....	Mr. Jefferson .....	.....	.....	.....
Mr. Collins		X	.....	Mr. Tanner	X	.....	.....
Mr. Portman		X	.....	Mr. Becerra	X	.....	.....
Mr. English		X	.....	Mrs. Thurman	X	.....	.....
Mr. Watkins		X	.....	Mr. Doggett	X	.....	.....
Mr. Hayworth		X	.....	Mr. Pomeroy	X	.....	.....
Mr. Weller		X	.....			
Mr. Hulshof		X	.....			
Mr. McClinnis		X	.....			
Mr. Lewis (KY)		X	.....			
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

An amendment by Mr. Kleczka, which would prohibit the use of Federal TANF funds for contracting with entities that employ workers located outside the United States, was defeated by a roll call vote of 16 yeas to 22 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas		X	.....	Mr. Rangel	X	.....	.....
Mr. Crane .....		.....	.....	Mr. Stark	X	.....	.....
Mr. Shaw	X	.....	.....	Mr. Matsui	X	.....	.....
Mrs. Johnson		X	.....	Mr. Coyne	X	.....	.....
Mr. Houghton		X	.....	Mr. Levin	X	.....	.....
Mr. Herger		X	.....	Mr. Cardin	X	.....	.....
Mr. McCrery		X	.....	Mr. McDermott	X	.....	.....
Mr. Camp		X	.....	Mr. Kleczka	X	.....	.....
Mr. Ramstad		X	.....	Mr. Lewis (GA)	X	.....	.....
Mr. Nussle		X	.....	Mr. Neal	X	.....	.....
Mr. Johnson		X	.....	Mr. McNulty	X	.....	.....
Ms. Dunn		X	.....	Mr. Jefferson .....		.....	.....
Mr. Collins	X	.....	.....	Mr. Tanner	X	.....	.....
Mr. Portman		X	.....	Mr. Becerra	X	.....	.....
Mr. English		X	.....	Mrs. Thurman	X	.....	.....
Mr. Watkins		X	.....	Mr. Doggett .....		.....	.....
Mr. Hayworth		X	.....	Mr. Pomeroy	X	.....	.....
Mr. Weller		X	.....			
Mr. Hulshof		X	.....			
Mr. McClintock		X	.....			
Mr. Lewis (KY)		X	.....			
Mr. Foley		X	.....			
Mr. Brady		X	.....			
Mr. Ryan		X	.....			

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget office (CBO), which is included below.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 13, 2002.

Hon. WILLIAM "BILL" M. THOMAS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4090, the Personal Responsibility, Work, and Family Promotion Act of 2002.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sheila Dacey and Leo Lex.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 4090—Personal Responsibility, Work, and Family Promotion Act of 2002

Summary: H.R. 4090 would reauthorize the Temporary Assistance for Needy Families (TANF) and child care entitlement to state programs at current funding levels. It would increase funding for some grants related to TANF and establish two new grants, but also would reduce funding for other related grants. It would make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments and establishing a new program of fees. Another provision would require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the Supplemental Security Income (SSI) program. Finally, it would provide states with new authority to run demonstration projects, providing that the projects may not increase federal spending.

CBO estimates that H.R. 4090 would increase federal spending by \$320 million in 2003 and by \$1.2 billion over the 2003–2007 period. It also would reduce revenues by \$20 million over the 2005–2007 period. Because the bill would affect direct spending and revenues, pay-as-you-go procedures would apply.

The bill would authorize \$20 million in 2003 and \$100 million over the 2003–2007 period for a new program of grants promoting fatherhood. CBO estimates that appropriations of the authorized levels would result in insignificant outlays in 2003 and \$70 million over the 2003–2007 period.

The TANF grant program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of a state's family assistance program. Consequently, any new requirements to the program as proposed by H.R. 4090 would not be intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). However, the bill could significantly affect the way states administer the program and provide benefits to beneficiaries and thus could increase costs in some areas relative to what states would have spent if current law were to be continued unchanged. H.R. 4090 contains no private-sector mandates as defined in UMRA.

Estimated Cost to the Federal Government: The estimated budgetary impact of H.R. 4090 is shown in Table 1. The costs of this legislation fall within budget functions 600 (income security) and 550 (health).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 4090, THE PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002

	By fiscal year, in millions of dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Title I: TANF:					
Authorization level	20	20	20	20	20
Estimated outlays	1	6	15	25	24
CHANGES IN DIRECT SPENDING					
Title I: TANF:					
Estimated budget authority	335	730	228	229	— 84

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 4090, THE PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002—Continued

	By fiscal year, in millions of dollars				
	2003	2004	2005	2006	2007
Estimated outlays	324	347	262	220	94
Title III: Child support:					
Estimated budget authority	–1	–60	20	45	78
Estimated outlays	–1	–60	25	54	78
Title V: Supplemental Security Income:					
Estimated budget authority	–3	–14	–30	–48	–65
Estimated outlays	–3	–14	–30	–48	–65
Total, direct spending					
Estimated budget authority	331	656	218	226	–71
Estimated outlays	320	273	257	226	107
CHANGES IN REVENUES					
Title III: Child support					
Estimated revenues	0	0	–2	–6	–12

¹ Note.—Less than \$500,000.

Basis of Estimate: For this estimate, CBO assumes that the bill will be enacted by the end of fiscal year 2002, and that the amounts authorized in title I will be appropriated for each year. Most of the bill's budgetary effects, however, would come from changes in direct spending. In addition, enacting the bill would reduce revenues (beginning in 2005).

Spending subject to appropriation

Section 119 would establish several new programs designed to promote fatherhood including activities to improve parenting skills, promote marriage, and improve outcomes for children. It would authorize \$20 million to be appropriated in each of fiscal years 2003 through 2007, and at least 85 percent of the funds would have to be used for a program of competitive grants.

Section 119 would establish a program of competitive grants to public and nonprofit community entities for projects designed to promote fatherhood. Grantees would be required to put up 10 percent or 20 percent of the costs of the program, although exceptions would be made for certain smaller grants. In addition, it would allow the Secretary of Health and Human Services to carry out projects to promote fatherhood including collecting and disseminating information, developing, promoting and distributing media campaigns, providing technical assistance, and conducting research; to make grants to national fatherhood promotion organizations to establish two multicity, multistate projects; and to conduct evaluations of fatherhood projects.

CBO estimates that spending would initially be slow until programs are established, but would speed up gradually in succeeding years. We estimate that outlays would total \$70 million over the 2003–2007 period.

Direct spending and revenues

Title I: Temporary Assistance for Needy Families. H.R. 4090 would reauthorize TANF through 2007 at the current level of funding of \$16.6 billion. The bill would not alter current requirements on states to spend at a certain percentage of their historic spending level (80 percent, or 75 percent if the state meets the work partici-

pation requirements) and to limit assistance paid with federal funds to five years. It would significantly alter the work participation requirements and the funding of some grants related to TANF. In addition, it would make several other changes to program rules and reporting requirements (see Table 2).

TABLE 2.—DETAILED EFFECTS OF H.R. 4090, THE PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002, TITLE I

	By fiscal year, in millions of dollars					
	2003– 2004	2005	2006	2007	2003– 2007	
DIRECT SPENDING						
Section 103:						
Eliminate out-of-wedlock grants:						
Estimated budget authority	– 100	– 100	– 100	– 100	– 100	– 500
Estimated outlays	0	– 42	– 57	– 94	– 103	– 296
Healthy marriage promotion grant:						
Budget authority:	100	100	100	100	100	500
Estimated outlays	1	28	74	124	122	349
Section 104:						
Continue supplemental grant at \$319 million through 2006:						
Budget authority	319	319	319	319	0	1,276
Estimated outlays	128	191	287	351	144	1,101
Section 105:						
Reduce bonuses for high-performing states:						
Estimated budget authority	– 100	300	– 200	– 200	– 200	– 400
Estimated outlays	0	– 42	– 57	– 94	– 103	– 296
Section 106:						
Modify Contingency Fund:						
Estimated budget authority	16	10	9	10	13	58
Estimated outlays	6	7	9	11	14	47
Section 107:						
Increase transfer authority to SSBG:						
Budget authority	0	0	0	0	0	0
Estimated outlays	181	145	89	– 172	– 96	146
Section 115:						
Secretary's fund for research, demonstration, and national studies:						
Budget authority	102	102	102	102	102	510
Estimated outlays	10	61	110	117	111	410
Effect of title I on food stamps:						
Estimated budget authority	– 2	– 1	– 2	– 2	1	– 6
Estimated outlays	– 2	– 1	– 2	– 2	1	– 6
Interactions, title I:						
Budget authority	0	0	0	0	0	0
Estimated outlays	0	0	– 190	– 21	4	– 207
Total, title I:						
Temporary assistance for needy families:						
Estimated budget authority	337	731	230	231	– 85	1,444
Estimated outlays	326	348	264	222	93	1,254
Effect on food stamps:						
Estimated budget authority	– 2	– 1	– 2	– 2	1	– 6
Estimated outlays	– 2	– 1	– 2	– 2	1	– 6
Net effect, title I:						
Estimated budget authority	335	730	228	229	– 84	1,438
Estimated outlays	324	347	262	220	94	1,248

Note.—Components may not sum to totals because of rounding.

State Family Assistance Grant. Section 102 would extend the state family assistance grant through 2007 at the current funding level of \$16.6 billion. CBO already assumes funding at that level in its baseline in accordance with rules for constructing baseline

projections, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act).

Promotion of Family Formation and Healthy Marriage. Section 103 would eliminate one grant program related to out-of-wedlock birth rates and replace it with another directed at promoting marriage. CBO projects funding for out-of-wedlock birth grants at \$100 million annually in accordance with section 257 of the Deficit Control Act. CBO estimates that eliminating the grant program would reduce outlays by \$296 million over the 2004–2007 period. The impact of the reduction in funding on outlays is delayed (no effect in 2003) because the grants are awarded in the last days of the fiscal year.

Section 103 also would establish a new competitive grant to states, territories, and tribes for the development and implementation of programs to promote and support married, two-parent families. The bill appropriates \$100 million annually for grants that could be used for a variety of activities including public advertising campaigns, education programs on topics related to marriage, and programs to reduce disincentives to marriage in means-tested assistance programs. The grants could be used to cover up to half the cost of the new programs. CBO expects grants would be spent slowly in the first few years because the Department of Health and Human Services would need to set up a system for awarding grants and states would need to set up programs to use the funds. CBO estimates states would spend \$1 million in 2003 and \$349 million over the 2003–2007 period.

Supplemental Grants. Section 104 would extend the supplemental grants for population increases through 2006 at the 2002 funding level of \$319 million. Current law specifies that these grants should not be assumed to continue in baseline projections after 2002, overriding the continuation rules specified in section 257 of the Deficit Control Act. Seventeen states that had lower-than-average TANF grants per poor person or had increasing populations would be eligible for supplemental grants. Because many states have unspent balances from prior-year TANF grants, CBO assumes that states would not spend the new funds quickly. CBO estimates that states would spend \$128 million in 2003 and \$1.1 billion over the 2003–2007 period.

Bonuses for High-Performing States. Section 105 would reduce funding for a bonus to high-performing states in 2003 and refocus the bonus toward rewarding performance in improving job outcomes in 2004. The bonus in current law rewards states for moving TANF recipients into jobs, providing support for low-income working families, and increasing the percentage of children who reside in married-couple families. Current law provides \$1 billion for bonuses, averaging \$200 million annually, over the 1999–2003 period. CBO assumes in its baseline projections that funding will continue at \$200 million annually in accordance with section 257 of the Deficit Control Act. The revised bonus—the Bonus to Reward Employment Achievement—would be focused on rewarding success in employment entry, job retention, and increased earnings for families receiving assistance.

Section 105 would lower projected budget authority by \$100 million in 2003 and \$200 million each year from 2004 through 2007, but provide \$500 million in new budget authority in 2004, for a net

reduction of \$400 million over the five-year period. Because the bonuses are usually granted in the following fiscal year and many states have prior-year balances of TANF funds that they can use to replace any grant reductions, TANF spending would fall by only \$296 million over the 2005–2007 period.

Contingency Fund. Section 106 would expand the Contingency Fund for State Welfare Programs. The contingency fund provides additional federal funds to states with high and increasing unemployment rates or significant growth in Food Stamp caseloads. States are required to maintain state spending at 100 percent of their historical level and to match federal payments. The bill would allow states to count more of their spending toward meeting the state spending requirement and lower the matching requirements of states that qualify for the fund for only part of a year. Based on CBO's projections of unemployment, Food Stamp participation, and state TANF spending, CBO estimates that states would use an additional \$6 million from the contingency fund for 2003 and \$47 million over the 2003–2007 period.

Increased Transfer Authority to Social Services Block Grant (SSBG). Section 107 would raise the percentage of the TANF grant that states could transfer to SSBG from 4.25 percent to 10 percent. States have had the authority to transfer up to 10 percent from 1996 to 2002, but that is assumed to fall to 4.25 percent in 2003 and after. In recent years, states have transferred about \$1 billion annually. Maintaining the transfer authority at the higher level would make it easier for states to spend their TANF grants and would speed up spending relative to current law. Based on recent state transfers, CBO expects that states would transfer an additional \$600 million under the provision, but because some of this money would have been spent within the TANF program anyway, only \$181 million of additional spending would occur in 2003. The accelerated spending would be offset by reduced spending in later years, starting in 2006. Overall, we estimate that the provision would increase spending by \$146 million over the 2003–2007 period.

Work Participation Requirements. Section 110 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. The bill would maintain current penalties for the failure to meet those requirements. These penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase for each subsequent failure. CBO assumes that no state would be subject to financial penalty for failing to meet the new requirements.

The bill would require states to engage an increasing share of families receiving TANF in activities for 40 hours a week with at least 24 of those hours in a work activity. Work activities would be limited to employment (subsidized or unsubsidized), on-the-job training, supervised work experience (including entrepreneurship or microenterprise activities), or supervised community service. The required participation rate would rise by 5 percentage points a year from 50 percent in 2003 to 70 percent in 2007. Certain families would not be included in the calculation: families without an adult or teen head of household, under sanction for three months or less, with a child under age one (at state option), or in the first month

of assistance (at state option). The bill would eliminate a requirement in current law that sets even higher participation rates for two-parent families and would allow a broader range of activities to count as work for up to three or four months. Finally, the bill would alter a provision that reduces the participation rates of states that have experienced caseload reductions since 1995.

Because the new requirements would be difficult for states to meet, CBO expects states would need to employ strategies such as moving nonworking families into separate state programs to effectively reduce the new requirements. For example, under current law, states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their maintenance of effort requirement in TANF, but families served under those programs do not count in the work participation rate.

Secretary's Fund for Research, Demonstration, and National Studies. Section 115 would make funds available to the Secretary of Health and Human Services to conduct and support research and demonstration projects and provide technical assistance. The funds would be primarily spent on activities to promote marriage. The program would be funded at \$102 million annually over the 2003–2007 period with \$2 million set aside each year to fund demonstration projects on child welfare services to tribal families. Based on rates of spending in similar programs, CBO estimates that spending would increase by \$10 million in 2003 and \$410 million over the 2003–2007 period.

Effect of title I provisions on the Food Stamp Program. Four provisions of title I would affect the level of funding for the TANF program, which in turn could affect the level of cash benefits provided under that program. Provisions to eliminate the out-of-wedlock birth bonus and reduce the bonus for high-performing states would lower funding while provisions to extend the supplemental grant and expand the contingency fund would increase funding. On balance, those provisions would increase funding from 2003 through 2006 and decrease funding in 2007. CBO expects some of the additional (or reduced) funding provided would be used to increase (or decrease) benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, so we expect small savings in the Food Stamp program during the 2003–2006 period and small costs in 2007, with total savings of \$6 million over the five years.

Title II: Child Care. H.R. 4090 would amend the child care entitlements to states program by appropriating \$2.717 billion each year over the 2003–2007 period. CBO already assumes funding at that level in its baseline, as required by section 257 of the Deficit Control Act.

The child care entitlements to states program provides funding to states for child care subsidies to low-income families and other activities. This is one of the two federal funding programs for child care subsidies within a program grouping often referred to as the Child Care and Development Fund. Spending for the child care entitlements to states program is categorized as mandatory spending. The other program, the child care development block grant pro-

gram, is classified as discretionary spending (i.e., subject to annual appropriation), but that program is not affected by H.R. 4090.

Title III: Child Support. H.R. 4090 would change many aspects of the operation and financing of the child support program (see Table 3). It would allow the distribution to families of more collections from child support payments and establish a new program of fees. It also would require states to periodically update child support orders and expand the use of certain enforcement tools.

Distribution of More Child Support to Families. Sections 301 and 302 would allow states to share more child support collections with current and former recipients of TANF, reducing the amount the federal and state governments would recoup from previous TANF benefit payments. The bill would allow states to implement the new policies beginning in October 2004.

Collections for Current TANF Recipients. When a family applies for TANF, it assigns to the state any rights the family has to child support collections. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments. States may choose to give some of the child support collected to families, but states must finance those payments out of their share of collections.

Section 301 would allow states to increase the amount of child support they pay to families receiving assistance and would not require the state to pay the federal government share on the increased payments. The payments would be in addition to any payments the state was making as of December 31, 2001. The bill limits the new payments to the greater of \$100 or \$50 more than the state shares with families now. The state could not count the child support as income in determining the families' benefit under the TANF program.

States with about 60 percent of child support collections shared some of those collections with the family as of December 31, 2001. Based on conversations with state child support officials and other policy experts, CBO expects that about 20 percent of those states would choose to increase the amount of child support they share with families on assistance. In addition, we expect about half of states that currently share nothing would institute a policy of sharing the first \$50 collected. Those changes would be instituted slowly and would not be fully effective until 2007. Based on administrative data for child support, CBO expects that states eventually would share about \$100 million more with families annually. Using an estimated federal share of collections of 55 percent, CBO estimates that federal offsetting receipts would fall by \$30 million in 2005 and \$135 million over the 2005–2007 period.

TABLE 3.—DETAILED EFFECTS OF H.R. 4090, THE PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002, TITLE III

	By fiscal year, in millions of dollars						2003– 2007
	2003	2004	2005	2006	2007		
DIRECT SPENDING							
Section 301:							
Distribute more support to current TANF families:							
Estimated budget authority	0	0	30	45	60	135	
Estimated outlays	0	0	30	45	60	135	

TABLE 3.—DETAILED EFFECTS OF H.R. 4090, THE PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2002, TITLE III—Continued

	By fiscal year, in millions of dollars					
	2003	2004	2005	2006	2007	2003–2007
Effect on food stamps:						
Estimated budget authority	0	0	–15	–20	–25	–60
Estimated outlays	0	0	–15	–20	–25	–60
Effect on TANF:						
Estimated budget authority	0	0	0	0	0	0
Estimated outlays	0	0	5	9	0	14
Subtotal, section 301:						
Estimated budget authority	0	0	15	25	3	75
Estimated outlays	0	0	20	34	35	89
Section 302:						
Distribute more support to former TANF families:						
Estimated budget authority	0	0	75	115	160	350
Estimated outlays	0	0	75	115	160	350
Effect on food stamps:						
Estimated budget authority	0	0	–5	–10	–15	–30
Estimated outlays	0	0	–5	–10	–15	–30
Subtotal, section 302:						
Estimated budget authority	0	0	70	105	145	320
Estimated outlays	0	0	70	105	145	320
Section 303:						
Mandatory 3-year update of child support orders:						
Estimated budget authority	0	2	14	14	12	42
Estimated outlays	0	2	14	14	12	42
Child support collections:						
Estimated budget authority	0	0	–6	–14	–20	–40
Estimated outlays	0	0	–6	–14	–20	–40
Effect on food stamps:						
Estimated budget authority	0	0	–1	–2	–3	–6
Estimated outlays	0	0	–1	–2	–3	–6
Effect on Medicaid:						
Estimated budget authority	0	0	–3	–8	–13	–24
Estimated outlays	0	0	–3	–8	–13	–24
Subtotal, section 303:						
Estimated budget authority	0	2	4	–10	–24	–28
Estimated outlays	0	2	4	–10	–24	–28
Section 304:						
\$25 annual fee for never-TANF cases with a collection:						
Estimated budget authority	2	–42	–45	–47	–48	–180
Estimated outlays	2	–42	–45	–47	–48	–180
Section 306:						
Use of new hire directory for unemployment compensation:						
Estimated budget authority	0	–12	–15	–19	–20	–66
Estimated outlays	0	–12	–15	–19	–20	–66
Section 308:						
Reduced threshold for passport denial collections:						
Estimated budget authority	0	–2	–2	–2	–2	–8
Estimated outlays	0	–2	–2	–2	–2	–8
Section 311:						
SSA benefit match:						
Estimated budget authority	–3	–6	–7	–7	–8	–31
Estimated outlays	–3	–6	–7	–7	–8	–31
Title III total, direct spending:						
Estimated budget authority	–1	–60	20	45	78	82
Estimated outlays	–1	–60	25	54	78	96
REVENUES						
Use of new hire directory for unemployment compensation program:						
Estimated revenues	0	0	–2	–6	–12	–20

Because additional child support income would reduce Food Stamp benefits, CBO estimates savings in the Food Stamp program totaling \$15 million in 2005 and \$60 million over the 2005–2007 period. In addition, the provision would have a small effect on the rate of TANF spending. States could count new payments of child support to families toward their maintenance of effort requirement in TANF enabling them to accelerate their use of federal TANF funds. Overall, the provision would increase estimated TANF outlays by \$14 million over the 2003–2007 period.

Collections for Former TANF Recipients. When a family ceases to receive public assistance, states continue to enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. However, both the government and the family have a claim on collections of past-due child support: The government claims the support owed for the period when the family was on assistance, up to the amount of the assistance paid, and the family claims the remainder.

Under section 302, the state would have the option of renouncing its claim on any support collected on behalf of a former recipient of TANF. Based on conversations with state child support officials and other policy experts, CBO expects states with 20 percent of child support collections would be interested in sharing all collections with former TANF recipients. Those changes would be instituted slowly and would not be fully effective until 2007. Based on administrative data for child support, CBO expects that states would eventually share about \$300 million more with families annually. CBO estimates that federal offsetting receipts would fall by \$75 million in 2005 and \$350 million over the 2005–2007 period. CBO expects that one-third of the former TANF recipients with increased child support income would participate in the Food Stamp program, and that Food Stamp savings would be \$5 million in 2005 and \$30 million over the 2005–2007 period.

Adjustment of Child Support Orders. Section 303 would require states to adjust child support orders of families on TANF every three years. States could use one of three methods to adjust orders: Full review and adjustment, cost-of-living adjustment (COLA), or automated adjustment. Under current law, nearly half of states perform periodic adjustments. Most perform a full review and the remainder apply a COLA. No state currently makes automated adjustments.

CBO estimates that there are 700,000 TANF recipients with child support orders in states that do not periodically adjust orders and one-third of those orders would be adjusted each year. CBO assumes half the states not already adjusting orders would choose to perform full reviews and half would apply a COLA.

Full Review and Adjustment. When a state performs a full review of a child support order, it obtains current financial information from the custodial and noncustodial parents and determines whether any adjustment in the amount of ordered child support is indicated. The state also may revise an order to require the noncustodial parent to provide health insurance.

Based on evaluations of review and modification programs, CBO estimates the average cost of a review would be about \$180 with the federal government paying 66 percent of such administrative costs. The average adjustment to a child support order of a family

on TANF would be \$90 a month and about 18 percent of the orders reviewed would be adjusted.

In addition, CBO expects some children would receive health insurance coverage from the noncustodial parent as a result of the new reviews. CBO estimates 40 percent of orders with a monetary adjustment would also be adjusted to include a requirement that the noncustodial parent provide health insurance for their child and that, in about half of those cases, such insurance would be provided. After the first few years, we assume newly provided medical insurance would decline by half, because many families would have already had such insurance recently added to their order.

Cost-of-Living Adjustment. When a state makes a cost-of-living adjustment it applies a percentage increase reflecting the rise in the cost of living to every order, regardless of how the financial circumstances of the individuals may have changed. The process is considerably less cumbersome and expensive than a full review but also results in smaller adjustments on average. Based on recent research on COLA programs, CBO estimates that the average cost would be \$11 per case modified, and the average adjustment to a support order would be \$6 per month. There would be no additional health insurance coverage.

Summary. Under either method of adjustment, CBO expects any increased collections for a family would continue for up to three years. While a family remains on TANF, the state would keep all the increased collections to reimburse itself and the federal government for welfare payments. The states would pay any increased collections stemming from reviews of child support orders to families once they leave assistance. That additional child support income for former recipients would result in savings in the Food Stamp program.

Overall, CBO expects the federal share of child support administrative costs to rise by \$2 million in 2004, \$14 million in 2005, and \$42 million over the 2004–2007 period. Federal collections would increase by \$6 million in 2005 and \$40 million over the 2005–2007 period. Finally Food Stamp and Medicaid savings would total \$6 million and \$24 million respectively over the 2005–2007 period.

Fee for Never-TANF Cases. Section 304 would establish a \$25 annual fee for individuals who receive child support services and who had at least \$500 of collections in a year. The fee would be imposed only if the family had never received TANF and would be retained out of the child support collected. The provision would be effective beginning October 1, 2003.

Based on administrative data and information from state child support officials, CBO assumes three million cases could be subject to a fee in 2004 resulting in collections of \$75 million, with the federal government retaining 66 percent. CBO reduced those expected collections by 15 percent to account for small administrative inefficiencies and fees that are already being collected. Based on recent growth levels and trends in the program, CBO estimates the federal share of collections would total \$42 million in 2004 and \$182 million over the 2004–2007 period. In addition, CBO estimates the administrative costs to implement a fee system would be \$3 million in 2003 and the federal government would pay \$2 million.

Use of New Hire Information. Section 306 would allow states, beginning in fiscal year 2004, to access information in the national

database of new hires to help detect fraud in the unemployment compensation system. Currently, most states may access the information that they send to the national registry. However, without access to the national information, a state may not receive important data regarding recent hires by national corporations that may report in other states. Only a few states have examined potential savings that could be realized if they had access to the national data, and their estimates are small—less than 0.1 percent of total outlays. Nevertheless, states generally believe that access to the national data would be a valuable tool in detecting fraud earlier, as the information on new hires is more current than that contained in quarterly wage reports on which many states now rely.

Based on information provided by the National Association of State Workforce Agencies, CBO estimates that about 40 percent of the states would make use of the national information in the year that it became available, and that another 40 percent would take advantage of the national information within the next few years. CBO estimates that this proposal would result in a reduction of \$66 million in spending for unemployment compensation over the 2004–2007 period. CBO assumes this reduction in spending would lead states to reduce their unemployment taxes. CBO estimates that such revenues would fall by \$20 million over the 2004–2007 period, so the net deficit reduction would amount to \$46 million over that period.

Denial of Passports. Under current law, the State Department denies a request for a passport for a non-custodial parent if he or she owes more than \$5,000 in past-due child support. Section 307 would lower that threshold and deny a passport to a noncustodial parent owing \$2,500 or more. Generally, when a noncustodial parent seeks to restore eligibility for a passport, he or she will arrange to pay the past-due amount down to the threshold level.

The State Department currently denies about 15,000 passport requests annually. Data from the Department of Health and Human Services shows there are 4.2 million noncustodial parents owing more than \$5,000 in past-due child support and an additional 1.0 million owing between \$2,500 and \$5,000. If noncustodial parents owing between \$2,500 and \$5,000 apply for passports at the same rate as those owing more than \$5,000, then the proposal would generate an additional 3,400 denials annually.

CBO assumes that 20 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. (In a study by the State Department, for 85 percent of applications that were denied due to child support arrears, passports were not issued within the next three months.) A noncustodial parent owing more than \$5,000 would have to pay an additional \$2,500 to receive a passport. On average, a noncustodial parent owing between \$2,500 and \$5,000 would have to pay \$1,250 to receive a passport. As a result, CBO estimates the policy would result in new payments of child support of about \$8 million annually. About one-third of those payments would be on behalf of current and former welfare families and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be \$2 million a year, beginning in fiscal year 2004, and \$8 million over the 2004–2007 period.

Improved Debt Collection: SSA Benefit Match. Section 310 would allow states to collect past-due child support by withholding Social Security, Black Lung, and Railroad Retirement payments. Because parents affected by the legislation are generally younger than 62, we assume that most of them receive benefits under the Disability Insurance (DI) program rather than the retirement or survivors programs. The Debt Collection Improvement Act of 1996 limits the amount that can be withheld annually from an individual's Social Security check to the lesser of any amount over \$9,000 or 15 percent of benefits.

Based on an analysis done by the Treasury Department, CBO estimates that 50,000 beneficiaries a month could be subject to an offset. Based on states' current use of administrative offsets of other federal programs, we estimate two-thirds of those beneficiaries would potentially have their checks offset. On average, CBO estimates that the offsets would amount annually to \$1,700 by 2007 and could potentially yield an estimated \$57 million in collections for child support from Social Security payments.

CBO estimates that the additional collections under section 310 would be only 40 percent of the potential collections because of several factors. First, some of this money may have been collected anyway through other enforcement tools, such as offsets currently applied to federal tax refunds. Second, noncustodial parents are younger than average DI recipients, and younger men receive lower DI benefits than older men. Third, children of DI recipients are entitled to a benefit from Social Security that averages more than \$2,000 annually, and some states consider those benefits in determining the amount of child support owed by the noncustodial parent. Fourth, in some cases, the estimated offset will exceed the amount of arrears owed. Finally, CBO expects a small percentage of all noncustodial parents owing past-due support would slip through the administrative process.

The estimated \$23 million in child support in 2007 would result in a net increase in federal offsetting receipts of about \$8 million. The estimate assumes 60 percent of collections would be on behalf of families that received or formerly received cash assistance from TANF. The federal share of TANF collections is 55 percent.

The provision would be effective October 1, 2002, but CBO assumes that the program would take several months to establish. Increases in DI benefits would result in higher offsetting receipts over time, rising from \$6 million in 2004 to \$8 million in 2007, totaling \$31 million over the 2003–2007 period. Receipts from offsets of Black Lung and Railroad Retirement benefits would be insignificant.

Title V: Supplemental Security Income. Title V would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation mandates that the agency review at least 20 percent of all favorable adult disability determinations made by state-level Disability Determination Service (DDS) offices in 2003. Under the legislation, the agency must review at least 40 percent of the adult disability awards made in 2004 and at least half of the awards granted in 2005 and beyond.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually

between 2003 and 2007. Based on recent data for comparable reviews in the Social Security Disability Insurance program. CBO projects that, by 2007, nearly 6,000 DDS awards will have been ultimately overturned, resulting in lower outlays for SSI and Medicaid (in most states, SSI eligibility automatically confers entitlement to Medicaid benefits). CBO estimates that title V would reduce SSI benefits by \$1 million and Medicaid outlays by \$2 million in 2003. Over the 2003–2007 period, CBO estimates this provision would lower outlays by \$53 million and \$107 million for SSI and Medicaid, respectively.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By fiscal year, in millions of dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	320	273	257	226	107	16	31	29	–1	–12
Changes in receipts	0	0	0	–2	–6	–12	–15	–17	–20	–20	–21

Estimated impact on State, local, and tribal governments: Generally, conditions of federal assistance are not considered intergovernmental mandates as defined in the Unfunded Mandates Reform Act. However, UMRA makes special provisions for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than \$500 million annually to state, local, or tribal governments), including TANF. Specifically, if a legislative proposal would increase the stringency of conditions of assistance, or cap or decrease the amount of federal funding for the program, such a change would be considered an intergovernmental mandate only if the state, local or tribal government lacks authority to amend its financial or programmatic responsibilities to continue providing required services.

The TANF program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of the state’s family assistance program. Changes to the program as embodied in H.R. 4090 could alter the way in which states administer the program and provide benefits. However, states would continue to be able to make changes, for example adjusting eligibility criteria or the structure of programs, to avoid or offset any additional costs. Because the TANF program affords states such broad flexibility, new requirements would not be considered intergovernmental mandates as defined by UMRA.

The bill would provide additional funding and flexibility to states and tribes, but it also would impose stricter requirements and decrease grants in some areas. The bill would maintain TANF funding at the fiscal year 2002 level through fiscal year 2007 and increase the amount of TANF funding that could be used for other social services and child care and broaden the ability of states and tribes to spend unused TANF funds in future years. At the same time, however, it would increase work participation requirements,

change the basis for caseload reduction credits, and reduce bonus grants.

TANF Grants and Program Flexibility. The bill would continue TANF funding at the 2002 level. It also would continue a supplemental grant totaling \$319 million annually through fiscal year 2006 for states with relatively low welfare spending per poor person and relatively high population growth.

The bill would make it easier for states to qualify for assistance from the TANF Contingency fund during recessions and allow them to receive reimbursement for certain child care expenditures. The bill also would increase from 30 percent to 50 percent the amount of TANF funds that could be transferred for Social Services Block Grant or Child Care and Development Block Grant purposes and would increase the limit of funds that may be specifically used for SSBG purposes from 4.25 percent to 10 percent. Finally, the bill would allow states and tribes to use excess TANF funds for services, not just benefits, provided under the TANF program in future years.

Child Support. The bill would require states to conduct a mandatory review of child support cases every three years, resulting in some level of net savings to states as a result of identifying non-custodial parents who owe child support. If states distribute to families the portion of child support collections that they otherwise would retain as reimbursement for benefits and services, this bill would allow them to similarly distribute the federal portion.

Demonstration Projects and Waivers. The bill would extend demonstration projects related to children and family services and foster care, and it also would eliminate the limit on the number of states that may receive grants for such demonstration projects. The bill would authorize state demonstration projects for integrating TANF and other social service programs and allow waivers to be granted by the appropriate Secretary and the Director of the Office of Management and Budget.

Work Participation. The bill would increase the minimum work participation rate from 50 percent to 70 percent over a five-year period. To meet those requirements, 70 percent of families would have to be engaged in work activities for at least 24 hours a week by 2007. Current law requires a recipient to be engaged in work activities for at least 20 hours per week, and there is a 50 percent participation requirement. The increase of 4 hours per week could require a modest increase in spending by states and tribes for administration, worker support activities, and child care. As the participation rates increase, states and tribes would have to direct more resources toward programs such as administrative support, transportation assistance, child care, and worker supervision to comply with the 70 percent requirement. CBO estimates that the costs of the work participation requirements would total about \$3 billion in 2007 (and about \$8 billion over the 2003–2007 period), assuming that caseloads remain around the current level.

While the bill would require a participant to engage in work activities for an average of 24 hours per week, it also would require 16 additional hours of participation in other qualified activities. The bill does not specify the activities that could count for the final 16 hours, but the Secretary could limit these allowed activities in future regulation. If states were required to support activities in

the 16 hours that are comparable in intensity to those in the first 24 hours, the estimated cost would rise to about \$4 billion in 2007 (and about \$10 billion over the 2003–2007 period), assuming that caseloads remain around the current level.

Costs of this magnitude would result if states do not act to avoid the tougher requirements by moving families to separate state programs or averting the requirements by some other means. In fact, CBO expects that states will move many nonworking families into separate state programs to reduce the work requirements and avoid financial penalties.

The bill also would change the calculation of worker participation credits for states whose caseload levels have declined significantly, assuming the reduction is not the result of changing eligibility requirements. The base year for comparison of caseloads would shift forward over time, rather than remaining static at the 1995 level. States that have experienced caseload reductions of 60 percent or more between 1995 and 2001 may qualify for a superachiever state credit that would further reduce their minimum participation levels. This credit could offset the impact of stricter work requirements for qualified states.

Bonus Grants. The bill would eliminate an authorization for bonus grants to states that decrease out-of-wedlock births (up to \$100 million authorized through 2002), but it also would appropriate \$100 million annually for Healthy Marriage Promotion grants. The bill would reduce by half (from \$200 million to \$100 million annually) bonus performance grants and refocus the basis of their award after 2003 to employment entry, retention, and increased earnings.

Estimated impact on the private sector: H.R. 4090 contains no private-sector mandates as defined in UMRA.

Previous CBO Estimate: On May 9, 2002, CBO transmitted a cost estimate for H.R. 4092, as ordered reported by the House Committee on Education and the Workforce on May 2, 2002. That bill contains similar provisions on work participation requirements in TANF and the Bonus to Reward Employment Achievement. The difference in CBO's estimates of those provisions reflect slight differences in the two bills.

Estimate prepared by: Federal costs: Sheila Dacey—TANF and Child Support; Christina Sadoti—Unemployment Compensation and Child Welfare; Donna Wong—Child Care; Geoffrey Gerhardt—Supplemental Security Income.

Impact on State, local, and tribal governments: Leo Lex.

Impact on the private sector: Kate Bloniarz.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the Committee bill results in direct spending of \$1.2 billion over 5 years and a decrease in revenues of \$20 million over 5 years. This amount is accommodated by the allocation to the Committee under the Budget Resolution.

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Human Resources. The hearings were as follows:

The Committee on Ways and Means held a hearing on March 12, 2002 to receive comments on the President's Plan to Build on the Successes of Welfare Reform. Testimony at the hearing was presented by Tommy Thompson, Secretary of the U.S. Department of Health and Human Services. Secretary Thompson also testified before the Committee on February 6, 2002 on the President's 2003 Budget Proposals, with a focus on welfare issues. On March 14, 2002, the Committee also held a hearing on the Administration's Health and Welfare Priorities (Serial 107-2)

The Subcommittee on Human Resources held a hearing on April 11, 2002 to receive comments on the welfare reform reauthorization proposals. Testimony at the hearing was presented by the Administration and a total of 48 other program administrators, advocates, researchers, and Members of the U.S. House of Representatives. On April 2, 2002, the Committee conducted a field hearing in University Center, Michigan on Welfare Reform Success, which included testimony from Michigan Governor John Engler, a welfare program administrator, former welfare recipients, and an employer who has hired a number of former recipients to work for his company. On March 7, 2002, the Committee held a hearing on Implementation of Welfare Reform Work Requirements and Time Limits. Several hearings also were held earlier in the 107th Congress on welfare reform topics including Teen Pregnancy Prevention, Child Support and Fatherhood Proposals, Welfare and Marriage Issues, and Effects of the 1996 Welfare Reform Law. In the 106th Congress, the Committee held a number of hearings on welfare issues: April 27, 1999 on Fatherhood (Serial 106-41); May 27, 1999 on the Effects of Welfare Reform (Serial 106-9); November 15, 1999 field hearing in Erie, Pennsylvania on Welfare Reform (Serial 106-47); February 14, 2000 field hearing in Baltimore, Maryland on Welfare Reform (Serial 106-87); February 27, 2000 on the Child Protection Review System (Serial 106-84); March 23, 2000 on Child Protection Issues (Serial 106-63); and July 20, 2000 on Increasing State Flexibility in Use of Federal Child Protection Funds (Serial 106-98). Throughout the hearings, testimony was presented by Administration officials, academic witnesses, researchers, program administrators, and advocacy groups.

B. SUMMARY OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In compliance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 4090 reauthorizes and makes improvements to the Temporary Assistance for Needy Families program and other programs within the Committee's jurisdiction. Through reporting requirements in the legislation, Congress and the Administration will be able to assess State

achievement of specified TANF program goals of: (1) providing assistance and services to needy families so that children may live in their homes or those of relatives; (2) ending dependence of needy families on government benefits and reducing poverty by promoting job preparation, work and marriage; (3) reducing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of healthy, two-parent married families and encourage responsible fatherhood.

C. CONSTITUTIONAL AUTHORITY STATEMENT

In compliance with clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States * * *").

D. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with Section 423 of the Unfunded Mandates Reform Act of 1995 (P.L. 104-4). According to the report of the Congressional Budget Office dated May 13, 2002: "The TANF grant program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of a state's family assistance program. Consequently, any new requirements to the program as proposed by H.R. 4090 would not be intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA)." (Page 1)

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WEL- FARE SERVICES

PART A—BLOCK GRANTS TO STATES FOR TEM- PORARY ASSISTANCE FOR NEEDY FAMILIES

SEC. 401. PURPOSE.

(a) IN GENERAL.—The purpose of this part is to **[increase]** *improve child well-being by increasing* the flexibility of States in operating a program designed to—

- (1) provide assistance *and services* to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy **【**parents on government benefits**】** *families on government benefits and reduce poverty* by promoting job preparation, work, and marriage;

* * * * *

(4) encourage the formation and maintenance of **【**two-parent families**】** *healthy, 2-parent married families, and encourage responsible fatherhood.*

* * * * *

SEC. 402. ELIGIBLE STATES; STATE PLAN.

(a) **IN GENERAL.**—As used in this part, the term “eligible State” means, with respect to a fiscal year, a State that, during the 27-month period ending with the close of the 1st quarter of the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

(1) **OUTLINE OF FAMILY ASSISTANCE PROGRAM.**—

(A) **GENERAL PROVISIONS.**—A written document that outlines how the State intends to do the following:

(i) * * *

【(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier, consistent with section 407(e)(2).**】**

【(iii) Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407.**】**

(ii) Require a parent or caretaker receiving assistance under the program to engage in work or alternative self-sufficiency activities (as defined by the State), consistent with section 407(e)(2).

(iii) Require families receiving assistance under the program to engage in activities in accordance with family self-sufficiency plans developed pursuant to section 408(b).

* * * * *

【(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(C)(iii)) for calendar years 1996 through 2005.**】**

(v) Establish annual, specific numerical performance goals, measures, measurement methodology, and plans to improve outcomes with respect to each of the 4 program purposes described in section 401(a).

(vi) Describe any strategies the State may be undertaking to address—

(I) employment retention and advancement for recipients of assistance under the program, including placement into high-demand jobs, consistent

with the criteria used by the Secretary in establishing performance targets in regulations prescribed under section 403(a)(4)(B);

(II) efforts to reduce teen pregnancy;

(III) services for struggling and noncompliant families, and for clients with special problems; and

(IV) program integration, including the extent to which employment and training services under the program are provided through the One-Stop Career Center System created under the Workforce Investment Act of 1998, and the extent to which former recipients of such assistance have access to additional core, intensive, or training services funded through such Act.

[(vi)] (vii) Conduct a program, designed to reach State and local law enforcement officials, the education system, and relevant counseling services, that provides education and training on the problem of statutory rape so that teenage pregnancy prevention programs may be expanded in scope to include men.

(viii) *Encourage equitable treatment of married, 2-parent families under the program referred to in clause (i).*

(B) SPECIAL PROVISIONS.—

[(i)] The document shall indicate whether the State intends to treat families moving into the State from another State differently than other families under the program, and if so, how the State intends to treat such families under the program.】

[(ii)] (i) The document shall indicate whether the State intends to provide assistance under the program to individuals who are not citizens of the United States, and if so, shall include an overview of such assistance.

[(iii)] (ii) The document shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process.

[(iv)] Not later than 1 year after the date of enactment of this section, unless the chief executive officer of the State opts out of this provision by notifying the Secretary, a State shall, consistent with the exception provided in section 407(e)(2), require a parent or caretaker receiving assistance under the program who, after receiving such assistance for 2 months is not exempt from work requirements and is not engaged in work, as determined under section 407(c), to participate in community service employment, with minimum hours per week and tasks to be determined by the State.】

(iii) *The document shall describe strategies and programs the State is undertaking to engage religious or-*

ganizations in the provision of services funded under this part and efforts related to section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

(iv) The document shall describe strategies to improve program management and performance.

* * * * *

(4) CERTIFICATION OF THE ADMINISTRATION OF THE PROGRAM.—A certification by the chief executive officer of the State specifying which State agency or agencies will administer and supervise the program referred to in paragraph (1) for the fiscal year, which shall include assurances that local *and tribal* governments and private sector organizations—

(A) * * *

* * * * *

SEC. 403. GRANTS TO STATES.

(a) GRANTS.—

(1) FAMILY ASSISTANCE GRANT.—

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for each of fiscal years [1996, 1997, 1998, 1999, 2000, 2001, and 2002] *2003 through 2007*, a grant in an amount equal to the State family assistance grant *payable to the State for the fiscal year*.

[(B) STATE FAMILY ASSISTANCE GRANT DEFINED.—As used in this part, the term “State family assistance grant” means the greatest of—

[(i) $\frac{1}{3}$ of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for fiscal years 1992, 1993, and 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect));

[(ii)(I) the total amount required to be paid to the State under former section 403 for fiscal year 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect)); plus

[(II) an amount equal to 85 percent of the amount (if any) by which the total amount required to be paid to the State under former section 403(a)(5) for emergency assistance for fiscal year 1995 exceeds the total amount required to be paid to the State under former section 403(a)(5) for fiscal year 1994, if, during fiscal year 1994 or 1995, the Secretary approved under former section 402 an amendment to the former State plan with respect to the provision of emergency assistance; or

[(iii) $\frac{4}{3}$ of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for the 1st 3 quarters of fiscal year 1995 (other than with respect to amounts expended by the State under the State plan approved under part F (as so in effect) or for child care under subsection (g) or (i) of former section 402 (as so in ef-

fect)), plus the total amount required to be paid to the State for fiscal year 1995 under former section 403(l) (as so in effect).

[(C) TOTAL AMOUNT REQUIRED TO BE PAID TO THE STATE UNDER FORMER SECTION 403 DEFINED.—As used in this part, the term “total amount required to be paid to the State under former section 403” means, with respect to a fiscal year—

[(i) in the case of a State to which section 1108 does not apply, the sum of—

[(I) the Federal share of maintenance assistance expenditures for the fiscal year, before reduction pursuant to subparagraph (B) or (C) of section 403(b)(2) (as in effect on September 30, 1995), as reported by the State on ACF Form 231;

[(II) the Federal share of administrative expenditures (including administrative expenditures for the development of management information systems) for the fiscal year, as reported by the State on ACF Form 231;

[(III) the Federal share of emergency assistance expenditures for the fiscal year, as reported by the State on ACF Form 231;

[(IV) the Federal share of expenditures for the fiscal year with respect to child care pursuant to subsections (g) and (i) of former section 402 (as in effect on September 30, 1995), as reported by the State on ACF Form 231; and

[(V) the Federal obligations made to the State under section 403 for the fiscal year with respect to the State program operated under part F (as in effect on September 30, 1995), as determined by the Secretary, including additional obligations or reductions in obligations made after the close of the fiscal year; and

[(ii) in the case of a State to which section 1108 applies, the lesser of—

[(I) the sum described in clause (i); or

[(II) the total amount certified by the Secretary under former section 403 (as in effect during the fiscal year) with respect to the territory.

[(D) INFORMATION TO BE USED IN DETERMINING AMOUNTS.—

[(i) FOR FISCAL YEARS 1992 AND 1993.—

[(I) In determining the amounts described in subclauses (I) through (IV) of subparagraph (C)(i) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of April 28, 1995.

[(II) In determining the amount described in subparagraph (C)(i)(V) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of January 6, 1995.

[(ii) FOR FISCAL YEAR 1994.—In determining the amounts described in subparagraph (C)(i) for any

State for fiscal year 1994, the Secretary shall use information available as of April 28, 1995.

[(iii) FOR FISCAL YEAR 1995.—

[(I) In determining the amount described in subparagraph (B)(ii)(II) for any State for fiscal year 1995, the Secretary shall use the information which was reported by the States and estimates made by the States with respect to emergency assistance expenditures and was available as of August 11, 1995.

[(II) In determining the amounts described in subclauses (I) through (III) of subparagraph (C)(i) for any State for fiscal year 1995, the Secretary shall use information available as of October 2, 1995.

[(III) In determining the amount described in subparagraph (C)(i)(IV) for any State for fiscal year 1995, the Secretary shall use information available as of February 28, 1996.

[(IV) In determining the amount described in subparagraph (C)(i)(V) for any State for fiscal year 1995, the Secretary shall use information available as of October 5, 1995.

[(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002 such sums as are necessary for grants under this paragraph.

[(2) BONUS TO REWARD DECREASE IN ILLEGITIMACY RATIO.—

[(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary a grant for each bonus year.

[(B) AMOUNT OF GRANT.—

[(i) IN GENERAL.—If, for a bonus year, none of the eligible States is Guam, the Virgin Islands, or American Samoa, then the amount of the grant shall be—

[(I) \$20,000,000 if there are 5 eligible States; or

[(II) \$25,000,000 if there are fewer than 5 eligible States.

[(ii) AMOUNT IF CERTAIN TERRITORIES ARE ELIGIBLE.—If, for a bonus year, Guam, the Virgin Islands, or American Samoa is an eligible State, then the amount of the grant shall be—

[(I) in the case of such a territory, 25 percent of the mandatory ceiling amount (as defined in section 1108(c)(4)) with respect to the territory; and

[(II) in the case of a State that is not such a territory—

[(aa) if there are 5 eligible States other than such territories, \$20,000,000, minus $\frac{1}{5}$ of the total amount of the grants payable under this paragraph to such territories for the bonus year; or

[(bb) if there are fewer than 5 such eligible States, \$25,000,000, or such lesser amount as may be necessary to ensure that the total

amount of grants payable under this paragraph for the bonus year does not exceed \$100,000,000.

[(C) DEFINITIONS.—As used in this paragraph:

[(i) ELIGIBLE STATE.—

[(I) IN GENERAL.—The term “eligible State” means a State that the Secretary determines meets the following requirements:

[(aa) The State demonstrates that the illegitimacy ratio of the State for the most recent 2-year period for which such information is available decreased as compared to the illegitimacy ratio of the State for the previous 2-year period, and the magnitude of the decrease for the State for the period is not exceeded by the magnitude of the corresponding decrease for 5 or more other States for the period. In the case of a State that is not a territory specified in subparagraph (B), the comparative magnitude of the decrease for the State shall be determined without regard to the magnitude of the corresponding decrease for any such territory.

[(bb) The rate of induced pregnancy terminations in the State for the calendar year for which the most recent data are available is less than the rate of induced pregnancy terminations in the State for calendar year 1995.

[(II) DISREGARD OF CHANGES IN DATA DUE TO CHANGED REPORTING METHODS.—In making the determination required by subclause (I), the Secretary shall disregard—

[(aa) any difference between the illegitimacy ratio of a State for a fiscal year and the illegitimacy ratio of a State for fiscal year 1995 which is attributable to a change in State methods of reporting data used to calculate the illegitimacy ratio; and

[(bb) any difference between the rate of induced pregnancy terminations in a State for a calendar year and such rate for calendar year 1995 which is attributable to a change in State methods of reporting data used to calculate such rate.

[(ii) BONUS YEAR.—The term “bonus year” means calendar years 1999, 2000, 2001, and 2002.

[(iii) ILLEGITIMACY RATIO.—The term “illegitimacy ratio” means, with respect to a State and a period—

[(I) the number of out-of-wedlock births to mothers residing in the State that occurred during the period; divided by

[(II) the number of births to mothers residing in the State that occurred during the period.

[(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are

appropriated for fiscal years 1999 through 2002, such sums as are necessary for grants under this paragraph.】

(B) *STATE FAMILY ASSISTANCE GRANT.*—*The State family assistance grant payable to a State for a fiscal year shall be the amount that bears the same ratio to the amount specified in subparagraph (C) of this paragraph as the amount required to be paid to the State under this paragraph for fiscal year 2002 (determined without regard to any reduction pursuant to section 412(a)(1)) bears to the total amount required to be paid under this paragraph for fiscal year 2002.*

(C) *APPROPRIATION.*—*Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$16,566,542,000 for grants under this paragraph.*

(2) *HEALTHY MARRIAGE PROMOTION GRANTS.*—

(A) *AUTHORITY.*—*The Secretary shall award competitive grants to States, territories, and tribal organizations for not more than 50 percent of the cost of developing and implementing innovative programs to promote and support healthy, married, 2-parent families.*

(B) *HEALTHY MARRIAGE PROMOTION ACTIVITIES.*—*Funds provided under subparagraph (A) shall be used to support any of the following programs or activities:*

(i) *Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health.*

(ii) *Education in high schools on the value of marriage, relationship skills, and budgeting.*

(iii) *Marriage education, marriage skills, and relationship skills programs, including parenting skills, financial management, conflict resolution, and job and career advancement, for non-married pregnant women and non-married expectant fathers.*

(iv) *Pre-marital education and marriage skills training for engaged couples and for couples interested in marriage.*

(v) *Marriage enhancement and marriage skills training programs for married couples.*

(vi) *Divorce reduction programs that teach relationship skills.*

(vii) *Marriage mentoring programs which use married couples as role models and mentors in at-risk communities.*

(viii) *Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with any activity described in this subparagraph.*

(C) *APPROPRIATION.*—*Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$100,000,000 for grants under this paragraph.*

(3) *SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.*—

(A) * * *

* * * * *

(H) REAUTHORIZATION **【OF GRANTS FOR FISCAL YEAR 2002】**.—Notwithstanding any other provision of this paragraph—

(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for **【fiscal year 2002】** *each of fiscal years 2002 through 2006* a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

(ii) subparagraph (G) shall be applied as if “**【2002】 2006**” were substituted for “2001”; and

(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for **【fiscal year 2002】** *each of fiscal years 2002 through 2006* such sums as are necessary for grants under this subparagraph.

(4) BONUS TO REWARD **【HIGH PERFORMANCE STATES】** *EMPLOYMENT ACHIEVEMENT*.—

(A) * * *

* * * * *

(D) SCORING OF STATE PERFORMANCE; SETTING OF PERFORMANCE THRESHOLDS.—For each bonus year, the Secretary shall—

(i) * * *

(ii) prescribe a performance threshold in such a manner so as to ensure that—

(I) the average annual total amount of grants to be made under this paragraph for each bonus year **【equals \$200,000,000】** *(other than 2003) equals \$200,000,000, and for bonus year 2003 equals \$100,000,000*; and

(II) the total amount of grants to be made under this paragraph for all bonus years equals **【\$1,000,000,000】** *\$900,000,000*.

* * * * *

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2003 **【\$1,000,000,000】** *\$900,000,000* for grants under this paragraph.

* * * * *

【Effective on October 1, 2003, section 105(b)(1) of H.R. 4090 strikes subparagraphs (A) through (F) and inserts subparagraphs (A) through (G) of section 403(a)(4) of the Social Security Act, shown below.】

【(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State.

【(B) AMOUNT OF GRANT.—

[(i) IN GENERAL.—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to a high performing State for a bonus year, which shall be based on the score assigned to the State under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

[(ii) LIMITATION.—The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

[(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

[(D) SCORING OF STATE PERFORMANCE; SETTING OF PERFORMANCE THRESHOLDS.—For each bonus year, the Secretary shall—

[(i) use the formula developed under subparagraph (C) to assign a score to each eligible State for the fiscal year that immediately precedes the bonus year; and

[(ii) prescribe a performance threshold in such a manner so as to ensure that—

[(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$200,000,000; and

[(II) the total amount of grants to be made under this paragraph for all bonus years equals \$1,000,000,000.

[(E) DEFINITIONS.—As used in this paragraph:

[(i) BONUS YEAR.—The term “bonus year” means fiscal years 1999, 2000, 2001, 2002, and 2003.

[(ii) HIGH PERFORMING STATE.—The term “high performing State” means, with respect to a bonus year, an eligible State whose score assigned pursuant to subparagraph (D)(i) for the fiscal year immediately preceding the bonus year equals or exceeds the performance threshold prescribed under subparagraph (D)(ii) for such preceding fiscal year.

[(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2003 \$1,000,000,000 for grants under this paragraph.]

(A) *IN GENERAL.*—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is an employment achievement State.

(B) *AMOUNT OF GRANT.*—

(i) *IN GENERAL.*—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to an employment achievement State for a bonus year, which

shall be based on the performance of the State as determined under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

(ii) *LIMITATION.*—The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

(C) *FORMULA FOR MEASURING STATE PERFORMANCE.*—

(i) *IN GENERAL.*—Subject to clause (ii), not later than October 1, 2003, the Secretary, in consultation with the National Governors Association, the American Public Human Services Association, and the National Conference of State Legislatures, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals of employment entry, job retention, and increased earnings from employment for families receiving assistance under the program, as measured on an absolute basis and on the basis of improvement in State performance.

(ii) *SPECIAL RULE FOR BONUS YEAR 2004.*—For the purposes of awarding a bonus under this paragraph for bonus year 2004, the Secretary may measure the performance of a State in fiscal year 2003 using the job entry rate, job retention rate, and earnings gain rate components of the formula developed under section 403(a)(4)(C) as in effect immediately before the effective date of this paragraph.

(D) *DETERMINATION OF STATE PERFORMANCE.*—For each bonus year, the Secretary shall—

(i) use the formula developed under subparagraph (C) to determine the performance of each eligible State for the fiscal year that precedes the bonus year; and

(ii) prescribe performance standards in such a manner so as to ensure that—

(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$100,000,000; and

(II) the total amount of grants to be made under this paragraph for all bonus years equals \$500,000,000.

(E) *DEFINITIONS.*—In this paragraph:

(i) *BONUS YEAR.*—The term “bonus year” means each of fiscal years 2004 through 2008.

(ii) *EMPLOYMENT ACHIEVEMENT STATE.*—The term “employment achievement State” means, with respect to a bonus year, an eligible State whose performance determined pursuant to subparagraph (D)(i) for the fiscal year preceding the bonus year equals or exceeds the performance standards prescribed under subparagraph (D)(ii) for such preceding fiscal year.

(F) *APPROPRIATION.*—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 2004 through 2008 \$500,000,000 for grants under this paragraph.

(G) *GRANTS FOR TRIBAL ORGANIZATIONS.*—*This paragraph shall apply with respect to tribal organizations in the same manner in which this paragraph applies with respect to States. In determining the criteria under which to make grants to tribal organizations under this paragraph, the Secretary shall consult with tribal organizations.*

(5) WELFARE-TO-WORK GRANTS.—

(A) FORMULA GRANTS.—

(i) * * *

(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this paragraph if the Secretary of Labor determines that the State meets the following requirements:

(I) * * *

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(III) The State has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance and funding of any evaluation under section [413(j)] 413(i), and to cooperate with the conduct of any such evaluation.

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(F) FUNDING FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—0.6 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$9,000,000 of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to carry out section [413(j)] 413(i).

(G) FUNDING FOR EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(i) * * *

(ii) AUTHORITY TO USE FUNDS FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—Any such amount not required for such evaluations shall be available for use by the Secretary to carry out section [413(j)] 413(i).

* * * * *

(b) CONTINGENCY FUND.—

(1) * * *

(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years [1997, 1998, 1999, 2000, 2001, and 2002] 2003 through 2007 such sums as are necessary for payment to the Fund in a total amount not to exceed \$2,000,000,000[, reduced by the sum of the dollar amounts specified in paragraph (6)(C)(ii)].

(3) GRANTS.—

(A) * * *

* * * * *

(C) LIMITATIONS.—

(i) * * *

(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal

years **【1997 through 2002】** *2003 through 2007* shall not exceed the total amount appropriated pursuant to paragraph (2).

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(5) **NEEDY STATE.**—For purposes of paragraph (4), a State is a needy State for a month if—

(A) * * *

(B) as determined by the Secretary of Agriculture (in the discretion of the Secretary of Agriculture), the monthly average number of individuals (as of the last day of each month) participating in the food stamp program in the State in the then most recently concluded 3-month period for which data are available exceeds by not less than 10 percent the lesser of—

(i) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1994 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, *and the Food Stamp Act of 1977 as in effect during the corresponding 3-month period in the fiscal year preceding such most recently concluded 3-month period*, had been in effect throughout fiscal year 1994; or

(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1995 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, *and the Food Stamp Act of 1977 as in effect during the corresponding 3-month period in the fiscal year preceding such most recently concluded 3-month period*, had been in effect throughout fiscal year 1995.

(6) **ANNUAL RECONCILIATION.**—

(A) **IN GENERAL.**—Notwithstanding paragraph (3), if the Secretary makes a payment to a State under this subsection in a fiscal year, then the State shall remit to the Secretary, within 1 year after the end of the first subsequent period of 3 consecutive months for which the State is not a needy State, an amount equal to the amount (if any) by which—

(i) * * *

(ii) the product of—

(I) the Federal medical assistance percentage for the State (as defined in section 1905(b), as such section was in effect on September 30, 1995); *and*

(II) the State's reimbursable expenditures for the fiscal year**【; and】**.

【(III) $\frac{1}{12}$ times the number of months during the fiscal year for which the Secretary made a payment to the State under such paragraph (3).】

(B) **DEFINITIONS.**—As used in subparagraph (A):

(i) REIMBURSABLE EXPENDITURES.—The term “reimbursable expenditures” means, with respect to a State and a fiscal year, the amount (if any) by which—

(I) * * *

(II) historic State expenditures (as defined in section 409(a)(7)(B)(iii))**],** excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994**].**

(ii) COUNTABLE STATE EXPENDITURES.—The term “countable expenditures” means, with respect to a State and a fiscal year—

[(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i) (other than the expenditures described in subclause (I)(bb) of such section)) under the State program funded under this part for the fiscal year; plus]

(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for the fiscal year; plus

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[(C) ADJUSTMENT OF STATE REMITTANCES.—

[(i) IN GENERAL.—The amount otherwise required by subparagraph (A) to be remitted by a State for a fiscal year shall be increased by the lesser of—

[(I) the total adjustment for the fiscal year, multiplied by the adjustment percentage for the State for the fiscal year; or

[(II) the unadjusted net payment to the State for the fiscal year.

[(ii) TOTAL ADJUSTMENT.—As used in clause (i), the term “total adjustment” means—

[(I) in the case of fiscal year 1998, \$2,000,000;

[(II) in the case of fiscal year 1999, \$9,000,000;

[(III) in the case of fiscal year 2000, \$16,000,000; and

[(IV) in the case of fiscal year 2001, \$13,000,000.

[(iii) ADJUSTMENT PERCENTAGE.—As used in clause (i), the term “adjustment percentage” means, with respect to a State and a fiscal year—

[(I) the unadjusted net payment to the State for the fiscal year; divided by

[(II) the sum of the unadjusted net payments to all States for the fiscal year.

[(iv) UNADJUSTED NET PAYMENT.—As used in this subparagraph, the term, “unadjusted net payment” means with respect to a State and a fiscal year—

[(I) the total amount paid to the State under paragraph (3) in the fiscal year; minus

[(II) the amount that, in the absence of this subparagraph, would be required by subparagraph (A) or by section 409(a)(10) to be remitted by the State in respect of the payment.]

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SEC. 404. USE OF GRANTS.

(a) **GENERAL RULES.**—Subject to this part, a State to which a grant is made under section 403 may use the grant—

(1) in any manner that is reasonably calculated to accomplish the purpose of this part, including to provide low income households with **[assistance]** *aid* in meeting home heating and cooling costs; or

(2) **[in any manner that]** *for any purposes or activities for which the State was authorized to use amounts received under part A or F, as such parts were in effect on September 30, 1995, or (at the option of the State) August 21, 1996.*

* * * * *

[(c) AUTHORITY TO TREAT INTERSTATE IMMIGRANTS UNDER RULES OF FORMER STATE.—A State operating a program funded under this part may apply to a family the rules (including benefit amounts) of the program funded under this part of another State if the family has moved to the State from the other State and has resided in the State for less than 12 months.]

(d) **AUTHORITY TO USE PORTION OF GRANT FOR OTHER PURPOSES.**—

(1) **IN GENERAL.**—Subject to paragraph (2), a State may use not more than **[30]** 50 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out a State program pursuant to any or all of the following provisions of law:

(A) Title XX of this Act.

(B) The Child Care and Development Block Grant Act of 1990.

(2) **LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.**—

(A) * * *

[(B) APPLICABLE PERCENT.—For purposes of subparagraph (A), the applicable percent is 4.25 percent in the case of fiscal year 2001 and each succeeding fiscal year.]

(B) APPLICABLE PERCENT.—For purposes of subparagraph (A), the applicable percent is 10 percent for fiscal year 2003 and each succeeding fiscal year.

* * * * *

[(e) AUTHORITY TO RESERVE CERTAIN AMOUNTS FOR ASSISTANCE.—A State or tribe may reserve amounts paid to the State or tribe under this part for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State or tribal program funded under this part.]

(e) AUTHORITY TO CARRYOVER OR RESERVE CERTAIN AMOUNTS FOR BENEFITS OR SERVICES OR FOR FUTURE CONTINGENCIES.—

(1) CARRYOVER.—A State or tribe may use a grant made to the State or tribe under this part for any fiscal year to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part.

(2) CONTINGENCY RESERVE.—A State or tribe may designate any portion of a grant made to the State or tribe under this part as a contingency reserve for future needs, and may use any amount so designated to provide, without fiscal year limitation,

any benefit or service that may be provided under the State or tribal program funded under this part. If a State or tribe so designates a portion of such a grant, the State shall, on an annual basis, include in its report under section 411(a) the amount so designated.

(f) **AUTHORITY TO OPERATE EMPLOYMENT PLACEMENT PROGRAM.**—A State to which a grant is made under section 403 may use the grant to make payments (or provide job placement vouchers) to State-approved public and private job placement agencies that provide employment placement services to individuals who receive **[assistance]** *benefits or services* under the State program funded under this part.

* * * * *

(k) **LIMITATIONS ON USE OF GRANT FOR MATCHING UNDER CERTAIN FEDERAL TRANSPORTATION PROGRAM.**—

(1) **USE LIMITATIONS.**—A State to which a grant is made under section 403 may not use any part of the grant to match funds made available under section 3037 of the Transportation Equity Act for the 21st Century, unless—

(A) * * *

* * * * *

(D) the services provided through such use of the grant promote the ability of such recipients to engage in **[work activities (as defined in section 407(d))]** *direct work activities.*

* * * * *

(l) **MARRIAGE PROMOTION.**—A State, territory, or tribal organization to which a grant is made under section 403(a)(2) may use a grant made to the State, territory, or tribal organization under any other provision of section 403 for marriage promotion activities, and the amount of any such grant so used shall be considered State funds for purposes of section 403(a)(2).

* * * * *

[SEC. 406. FEDERAL LOANS FOR STATE WELFARE PROGRAMS.

[(a) LOAN AUTHORITY.—

[(1) IN GENERAL.—The Secretary shall make loans to any loan-eligible State, for a period to maturity of not more than 3 years.

[(2) LOAN-ELIGIBLE STATE.—As used in paragraph (1), the term “loan-eligible State” means a State against which a penalty has not been imposed under section 409(a)(1).

[(b) RATE OF INTEREST.—The Secretary shall charge and collect interest on any loan made under this section at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.

[(c) USE OF LOAN.—A State shall use a loan made to the State under this section only for any purpose for which grant amounts received by the State under section 403(a) may be used, including—

[(1) welfare anti-fraud activities; and

[(2) the provision of assistance under the State program to Indian families that have moved from the service area of an

Indian tribe with a tribal family assistance plan approved under section 412.

[(d) LIMITATION ON TOTAL AMOUNT OF LOANS TO A STATE.—The cumulative dollar amount of all loans made to a State under this section during fiscal years 1997 through 2002 shall not exceed 10 percent of the State family assistance grant.

[(e) LIMITATION ON TOTAL AMOUNT OF OUTSTANDING LOANS.—The total dollar amount of loans outstanding under this section may not exceed \$1,700,000,000.

[(f) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated such sums as may be necessary for the cost of loans under this section.

[SEC. 407. MANDATORY WORK REQUIREMENTS.

[(a) PARTICIPATION RATE REQUIREMENTS.—

[(1) ALL FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to all families receiving assistance under the State program funded under this part:

[(If the fiscal year is:	The minimum participation rate is:
1997	25
1998	30
1999	35
2000	40
2001	45
2002 or thereafter	50.

[(2) 2-PARENT FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to 2-parent families receiving assistance under the State program funded under this part:

[(If the fiscal year is:	The minimum participation rate is:
1997	75
1998	75
1999 or thereafter	90.

[(b) CALCULATION OF PARTICIPATION RATES.—

[(1) ALL FAMILIES.—

[(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(1), the participation rate for all families of a State for a fiscal year is the average of the participation rates for all families of the State for each month in the fiscal year.

[(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for all families of the State for a month, expressed as a percentage, is—

[(i) the number of families receiving assistance under the State program funded under this part that include an adult or a minor child head of household who is engaged in work for the month; divided by

[(ii) the amount by which—

[(I) the number of families receiving such assistance during the month that include an adult or a minor child head of household receiving such assistance; exceeds

[(II) the number of families receiving such assistance that are subject in such month to a penalty described in subsection (e)(1) but have not been subject to such penalty for more than 3 months within the preceding 12-month period (whether or not consecutive).

[(2) 2-PARENT FAMILIES.—

[(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(2), the participation rate for 2-parent families of a State for a fiscal year is the average of the participation rates for 2-parent families of the State for each month in the fiscal year.

[(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for 2-parent families of the State for a month shall be calculated by use of the formula set forth in paragraph (1)(B), except that in the formula the term “number of 2-parent families” shall be substituted for the term “number of families” each place such latter term appears.

[(C) FAMILY WITH A DISABLED PARENT NOT TREATED AS A 2-PARENT FAMILY.—A family that includes a disabled parent shall not be considered a 2-parent family for purposes of subsections (a) and (b) of this section.]

SEC. 407. WORK PARTICIPATION REQUIREMENTS.

(a) *PARTICIPATION RATE REQUIREMENTS.—A State to which a grant is made under section 403 for a fiscal year shall achieve a minimum participation rate equal to not less than—*

- (1) 50 percent for fiscal year 2003;
- (2) 55 percent for fiscal year 2004;
- (3) 60 percent for fiscal year 2005;
- (4) 65 percent for fiscal year 2006; and
- (5) 70 percent for fiscal year 2007 and each succeeding fiscal year.

(b) *CALCULATION OF PARTICIPATION RATES.—*

(1) *AVERAGE MONTHLY RATE.—For purposes of subsection (a), the participation rate of a State for a fiscal year is the average of the participation rates of the State for each month in the fiscal year.*

(2) *MONTHLY PARTICIPATION RATES; INCORPORATION OF 40-HOUR WORK WEEK STANDARD.—*

(A) *IN GENERAL.—For purposes of paragraph (1), the participation rate of a State for a month is—*

- (i) *the total number of countable hours (as defined in subsection (c)) with respect to the counted families for the State for the month; divided by*
- (ii) *160 multiplied by the number of counted families for the State for the month.*

(B) *COUNTED FAMILIES DEFINED.—*

(i) *IN GENERAL.—In subparagraph (A), the term “counted family” means, with respect to a State and a month, a family that includes a work-eligible indi-*

vidual and that receives assistance in the month under the State program funded under this part, subject to clause (ii).

(ii) STATE OPTION TO EXCLUDE CERTAIN FAMILIES.—At the option of a State, the term “counted family” shall not include—

(I) a family in the first month for which the family receives assistance from a State program funded under this part on the basis of the most recent application for such assistance; or

(II) on a case-by-case basis, a family in which the youngest child has not attained 12 months of age.

(iii) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—At the option of a State, the term “counted family” may include families in the State that are receiving assistance under a tribal family assistance plan approved under section 412 or under a tribal work program to which funds are provided under this part.

(C) WORK-ELIGIBLE INDIVIDUAL DEFINED.—In this section, the term “work-eligible individual” means an individual—

(i) who is married or a single head of household; and

(ii) whose needs are (or, but for sanctions under this part that have been in effect for more than 3 months (whether or not consecutive) in the preceding 12 months or under part D, would be) included in determining the amount of cash assistance to be provided to the family under the State program funded under this part.

(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW AND NOT RESULTING FROM CHANGES IN STATE ELIGIBILITY CRITERIA.—

(A) IN GENERAL.—The Secretary shall prescribe regulations for reducing the minimum participation rate otherwise required by this section for a fiscal year by the number of percentage points equal to the number of percentage points (if any) by which—

(i) * * *

[(ii) the average monthly number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.]

(ii) the average monthly number of families that received assistance under the State program funded under this part during—

(I) if the fiscal year is fiscal year 2003, fiscal year 1996;

(II) if the fiscal year is fiscal year 2004, fiscal year 1998;

(III) if the fiscal year is fiscal year 2005, fiscal year 2001;

(IV) if the fiscal year is fiscal year 2006, fiscal year 2002; or

(V) if the fiscal year is fiscal year 2007, fiscal year 2003.

* * * * *

[(4) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—For purposes of paragraphs (1)(B) and (2)(B), a State may, at its option, include families in the State that are receiving assistance under a tribal family assistance plan approved under section 412 or under a tribal work program to which funds are provided under this part.

[(5) STATE OPTION FOR PARTICIPATION REQUIREMENT EXEMPTIONS.—For any fiscal year, a State may, at its option, not require an individual who is a single custodial parent caring for a child who has not attained 12 months of age to engage in work, and may disregard such an individual in determining the participation rates under subsection (a) for not more than 12 months.]

(4) *SUPERACHIEVER CREDIT.*—

(A) *IN GENERAL.*—*The participation rate, determined under paragraphs (1) and (2) of this subsection, of a superachiever State for a fiscal year shall be increased by the lesser of—*

(i) the amount (if any) of the superachiever credit applicable to the State; or

(ii) the number of percentage points (if any) by which the minimum participation rate required by subsection (a) for the fiscal year exceeds 50 percent.

(B) *SUPERACHIEVER STATE.*—*For purposes of subparagraph (A), a State is a superachiever State if the State caseload for fiscal year 2001 has declined by at least 60 percent from the State caseload for fiscal year 1995.*

(C) *AMOUNT OF CREDIT.*—*The superachiever credit applicable to a State is the number of percentage points (if any) by which the decline referred to in subparagraph (B) exceeds 60 percent.*

(D) *DEFINITIONS.*—*In this paragraph:*

(i) STATE CASELOAD FOR FISCAL YEAR 2001.—*The term “State caseload for fiscal year 2001” means the average monthly number of families that received assistance during fiscal year 2001 under the State program funded under this part.*

(ii) STATE CASELOAD FOR FISCAL YEAR 1995.—*The term “State caseload for fiscal year 1995” means the average monthly number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.*

[(c) ENGAGED IN WORK.—

[(1) GENERAL RULES.—

[(A) ALL FAMILIES.—For purposes of subsection (b)(1)(B)(i), a recipient is engaged in work for a month in a fiscal year if the recipient is participating in work activities for at least the minimum average number of hours per week specified in the following table during the month, not

fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d), subject to this subsection:

If the month is in fiscal year:	The minimum average number of hours per week is:
1997	20
1998	20
1999	25
2000 or thereafter	30.

[(B) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B), an individual is engaged in work for a month in a fiscal year if—

[(i) the individual and the other parent in the family are participating in work activities for a total of at least 35 hours per week during the month, not fewer than 30 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d), subject to this subsection; and

[(ii) if the family of the individual receives federally-funded child care assistance and an adult in the family is not disabled or caring for a severely disabled child, the individual and the other parent in the family are participating in work activities for a total of at least 55 hours per week during the month, not fewer than 50 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d).

[(2) LIMITATIONS AND SPECIAL RULES.—

[(A) NUMBER OF WEEKS FOR WHICH JOB SEARCH COUNTS AS WORK.—

[(i) LIMITATION.—Notwithstanding paragraph (1) of this subsection, an individual shall not be considered to be engaged in work by virtue of participation in an activity described in subsection (d)(6) of a State program funded under this part, after the individual has participated in such an activity for 6 weeks (or, if the unemployment rate of the State is at least 50 percent greater than the unemployment rate of the United States or the State is a needy State (within the meaning of section 403(b)(6)), 12 weeks), or if the participation is for a week that immediately follows 4 consecutive weeks of such participation.

[(ii) LIMITED AUTHORITY TO COUNT LESS THAN FULL WEEK OF PARTICIPATION.—For purposes of clause (i) of this subparagraph, on not more than 1 occasion per individual, the State shall consider participation of the individual in an activity described in subsection (d)(6) for 3 or 4 days during a week as a week of participation in the activity by the individual.

[(B) SINGLE PARENT OR RELATIVE WITH CHILD UNDER AGE 6 DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS IF PARENT OR RELATIVE IS ENGAGED IN WORK FOR 20 HOURS PER WEEK.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient

who is the only parent or caretaker relative in the family of a child who has not attained 6 years of age is deemed to be engaged in work for a month if the recipient is engaged in work for an average of at least 20 hours per week during the month.

[(C) SINGLE TEEN HEAD OF HOUSEHOLD OR MARRIED TEEN WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS.—For purposes of determining monthly participation rates under sub-section (b)(1)(B)(i), a recipient who is married or a head of household and has not attained 20 years of age is deemed to be engaged in work for a month in a fiscal year if the recipient—

[(i) maintains satisfactory attendance at secondary school or the equivalent during the month; or

[(ii) participates in education directly related to employment for an average of at least 20 hours per week during the month.

[(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), not more than 30 percent of the number of individuals in all families and in 2-parent families, respectively, in a State who are treated as engaged in work for a month may consist of individuals who are determined to be engaged in work for the month by reason of participation in vocational educational training, or (if the month is in fiscal year 2000 or thereafter) deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph.

[(d) WORK ACTIVITIES DEFINED.—As used in this section, the term “work activities” means—

[(1) unsubsidized employment;

[(2) subsidized private sector employment;

[(3) subsidized public sector employment;

[(4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;

[(5) on-the-job training;

[(6) job search and job readiness assistance;

[(7) community service programs;

[(8) vocational educational training (not to exceed 12 months with respect to any individual);

[(9) job skills training directly related to employment;

[(10) education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency;

[(11) satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalency, in the case of a recipient who has not completed secondary school or received such a certificate; and

[(12) the provision of child care services to an individual who is participating in a community service program.]

(c) COUNTABLE HOURS.—

(1) *DEFINITION.*—In subsection (b)(2), the term “countable hours” means, with respect to a family for a month, the total number of hours in the month in which any member of the family who is a work-eligible individual is engaged in a direct work activity or other activities specified by the State (excluding an activity that does not address a purpose specified in section 401(a)), subject to the other provisions of this subsection.

(2) *LIMITATIONS.*—Subject to such regulations as the Secretary may prescribe:

(A) *MINIMUM WEEKLY AVERAGE OF 24 HOURS OF DIRECT WORK ACTIVITIES REQUIRED.*—If the work-eligible individuals in a family are engaged in a direct work activity for an average total of fewer than 24 hours per week in a month, then the number of countable hours with respect to the family for the month shall be zero.

(B) *MAXIMUM WEEKLY AVERAGE OF 16 HOURS OF OTHER ACTIVITIES.*—An average of not more than 16 hours per week of activities specified by the State (subject to the exclusion described in paragraph (1)) may be considered countable hours in a month with respect to a family.

(3) *SPECIAL RULES.*—For purposes of paragraph (1):

(A) *PARTICIPATION IN QUALIFIED ACTIVITIES.*—

(i) *IN GENERAL.*—If, with the approval of the State, the work-eligible individuals in a family are engaged in 1 or more qualified activities for an average total of at least 24 hours per week in a month, then all such engagement in the month shall be considered engagement in a direct work activity, subject to clause (iii).

(ii) *QUALIFIED ACTIVITY DEFINED.*—The term “qualified activity” means an activity specified by the State (subject to the exclusion described in paragraph (1)) that meets such standards and criteria as the State may specify, including—

- (I) substance abuse counseling or treatment;
- (II) rehabilitation treatment and services;
- (III) work-related education or training directed effectively at enabling the family member to work;
- or
- (IV) job search or job readiness assistance.

(iii) *LIMITATION.*—

(I) *IN GENERAL.*—Except as provided in subclause (II), clause (i) shall not apply to a family for more than 3 months in any period of 24 consecutive months.

(II) *SPECIAL RULE APPLICABLE TO EDUCATION AND TRAINING.*—A State may, on a case-by-case basis, apply clause (i) to a work-eligible individual so that participation by the individual in education or training, if needed to permit the individual to complete a certificate program or other specific course of education in preparation for specific employment to fill a known job need in a local area, may be considered countable hours with respect to the family of the individual for not more than 4 months.

(B) *SCHOOL ATTENDANCE BY TEEN HEAD OF HOUSEHOLD.*—*The work-eligible members of a family shall be considered to be engaged in a direct work activity for an average of 40 hours per week in a month if the family includes an individual who is married, or is a single head of household, who has not attained 20 years of age, and the individual—*

(i) maintains satisfactory attendance at secondary school or the equivalent in the month; or

(ii) participates in education directly related to employment for an average of at least 20 hours per week in the month.

(d) *DIRECT WORK ACTIVITY.*—*In this section, the term “direct work activity” means—*

(1) unsubsidized employment;

(2) subsidized private sector employment;

(3) subsidized public sector employment;

(4) on-the-job training;

(5) supervised work experience; or

(6) supervised community service.

(e) *PENALTIES AGAINST INDIVIDUALS.*—

[(1) *IN GENERAL.*—*Except as provided in paragraph (2), if an individual in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall—*

[(A) *reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the individual so refuses; or*

[(B) *terminate such assistance,*
subject to such good cause and other exceptions as the State may establish.]]

(1) *REDUCTION OR TERMINATION OF ASSISTANCE.*—

(A) *IN GENERAL.*—*Except as provided in paragraph (2), if an individual in a family receiving assistance under a State program funded under this part fails to engage in activities required in accordance with this section, or other activities required by the State under the program, and the family does not otherwise engage in activities in accordance with the self-sufficiency plan established for the family pursuant to section 408(b), the State shall—*

(i) if the failure is partial or persists for not more than 1 month—

(I) reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the failure occurs; or

(II) terminate all assistance to the family, subject to such good cause exceptions as the State may establish; or

(ii) if the failure is total and persists for at least 2 consecutive months, terminate all cash payments to the family including qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for at least 1 month and thereafter until the individual resumes full partici-

pation in the activities, subject to such good cause exceptions as the State may establish.

(B) SPECIAL RULE.—In the event of a conflict between a requirement of clause (i)(II) or (ii) of subparagraph (A) and a requirement of a State constitution to provide assistance to needy parents and children, the State constitutional requirement shall control.

* * * * *

(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

(1) IN GENERAL.—Subject to paragraph (2), an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a [work activity described in subsection (d)] *direct work activity*.

(2) NO FILLING OF CERTAIN VACANCIES.—No adult in a [work activity described in subsection (d)] *direct work activity* which is funded, in whole or in part, by funds provided by the Federal Government shall be employed or assigned—

(A) * * *

* * * * *

SEC. 408. PROHIBITIONS; REQUIREMENTS.

(a) IN GENERAL.—

(1) * * *

* * * * *

(5) NO ASSISTANCE FOR TEENAGE PARENTS NOT LIVING IN ADULT-SUPERVISED SETTINGS.—

(A) * * *

(B) EXCEPTION.—

(i) PROVISION OF, OR [ASSISTANCE] AID IN LOCATING, ADULT-SUPERVISED LIVING ARRANGEMENT.—In the case of an individual who is described in clause (ii), the State agency referred to in section 402(a)(4) shall provide, or assist the individual in locating, a second chance home, maternity home, or other appropriate adult-supervised supportive living arrangement, taking into consideration the needs and concerns of the individual, unless the State agency determines that the individual's current living arrangement is appropriate, and thereafter shall require that the individual and the minor child referred to in subparagraph (A)(ii)(II) reside in such living arrangement as a condition of the continued receipt of assistance under the State program funded under this part attributable to funds provided by the Federal Government (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate).

* * * * *

[(b) INDIVIDUAL RESPONSIBILITY PLANS.—

[(1) ASSESSMENT.—The State agency responsible for administering the State program funded under this part shall make an initial assessment of the skills, prior work experience, and

employability of each recipient of assistance under the program who—

[(A) has attained 18 years of age; or

[(B) has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school.

[(2) CONTENTS OF PLANS.—

[(A) IN GENERAL.—On the basis of the assessment made under subsection (a) with respect to an individual, the State agency, in consultation with the individual, may develop an individual responsibility plan for the individual, which—

[(i) sets forth an employment goal for the individual and a plan for moving the individual immediately into private sector employment;

[(ii) sets forth the obligations of the individual, which may include a requirement that the individual attend school, maintain certain grades and attendance, keep school age children of the individual in school, immunize children, attend parenting and money management classes, or do other things that will help the individual become and remain employed in the private sector;

[(iii) to the greatest extent possible is designed to move the individual into whatever private sector employment the individual is capable of handling as quickly as possible, and to increase the responsibility and amount of work the individual is to handle over time;

[(iv) describes the services the State will provide the individual so that the individual will be able to obtain and keep employment in the private sector, and describe the job counseling and other services that will be provided by the State; and

[(v) may require the individual to undergo appropriate substance abuse treatment.

[(B) TIMING.—The State agency may comply with paragraph (1) with respect to an individual—

[(i) within 90 days (or, at the option of the State, 180 days) after the effective date of this part, in the case of an individual who, as of such effective date, is a recipient of aid under the State plan approved under part A (as in effect immediately before such effective date); or

[(ii) within 30 days (or, at the option of the State, 90 days) after the individual is determined to be eligible for such assistance, in the case of any other individual.

[(3) PENALTY FOR NONCOMPLIANCE BY INDIVIDUAL.—In addition to any other penalties required under the State program funded under this part, the State may reduce, by such amount as the State considers appropriate, the amount of assistance otherwise payable under the State program to a family that includes an individual who fails without good cause to comply with an individual responsibility plan signed by the individual.

[(4) STATE DISCRETION.—The exercise of the authority of this subsection shall be within the sole discretion of the State.]

(b) *FAMILY SELF-SUFFICIENCY PLANS.*—

(1) *IN GENERAL.*—A State to which a grant is made under section 403 shall—

(A) make an initial assessment, in the manner deemed appropriate by the State, of the skills, prior work experience, and employability of each recipient of assistance under the program;

(B) establish for each family that includes a work-eligible individual receiving assistance under the State program funded under this part a self-sufficiency plan that specifies appropriate activities described in the State plan submitted pursuant to section 402, including direct work activities as appropriate designed to assist the family in achieving their maximum degree of self-sufficiency, and that provides for the ongoing participation of the individual in the activities;

(C) require, at a minimum, each member of the family who is a work-eligible individual (as defined in section 407(b)(2)(C)) to participate in activities in accordance with the self-sufficiency plan;

(D) monitor the participation of such family members in the activities and the progress of the family toward self-sufficiency;

(E) regularly review the self-sufficiency plan; and

(F) revise the self-sufficiency plan as appropriate.

(2) *TIMING.*—The State shall comply with paragraph (1) with respect to a family—

(A) in the case of a family that, as of October 1, 2002, is not receiving assistance from the State program funded under this part, not later than 60 days after the family first receives assistance on the basis of the most recent application for the assistance; or

(B) in the case of a family that, as of such date, is receiving the assistance, not later than 12 months after the date of the enactment of this subsection.

* * * * *

SEC. 409. PENALTIES.

(a) *IN GENERAL.*—Subject to this section:

(1) * * *

* * * * *

(3) *FAILURE TO SATISFY MINIMUM PARTICIPATION RATES OR ESTABLISH FAMILY SELF-SUFFICIENCY PLAN.*—

(A) *IN GENERAL.*—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) or 408(b) for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to the applicable percentage of the State family assistance grant.

* * * * *

[(6) *FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.*—If the Secretary determines that a

State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owed on the outstanding amount.】

(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.—

(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for 【fiscal year 1998, 1999, 2000, 2001, 2002, or 2003】 *fiscal year 2003, 2004, 2005, 2006, 2007 or 2008* by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less than the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

(B) DEFINITIONS.—As used in this paragraph:

(i) QUALIFIED STATE EXPENDITURES.—

(I) * * *

* * * * *

(V) *COUNTING OF SPENDING ON NON-ELIGIBLE FAMILIES TO PREVENT AND REDUCE INCIDENCE OF OUT-OF-WEDLOCK BIRTHS, ENCOURAGE FORMATION AND MAINTENANCE OF HEALTHY, 2-PARENT MARRIED FAMILIES, OR ENCOURAGE RESPONSIBLE FATHERHOOD.—The term “qualified State expenditures” includes the total expenditures by the State during the fiscal year under all State programs for a purpose described in paragraph (3) or (4) of section 401(a).*

(VI) *EXCLUSION OF FEDERAL TANF FUNDS USED FOR MARRIAGE PROMOTION ACTIVITIES.—Such term does not include the amount of any grant made to the State under section 403 that is expended for a marriage promotion activity.*

(ii) APPLICABLE PERCENTAGE.—The term “applicable percentage” means 【for fiscal years 1997 through 2002,】 80 percent (or, if the State meets the requirements of section 407(a) for the *preceding* fiscal year, 75 percent).

* * * * *

(10) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the qualified State expenditures (as defined in paragraph (7)(B)(i) 【(other than the expenditures described in subclause (I)(bb) of that paragraph)】 under the State program funded under this part) for the fiscal year are less than 100 percent of historic State expenditures

(as defined in paragraph (7)(B)(iii) of this subsection), [excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994,] the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State that the State has not remitted under section 403(b)(6).

* * * * *

(14) **PENALTY FOR FAILURE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK OR REFUSING TO ENGAGE IN ACTIVITIES UNDER A FAMILY SELF-SUFFICIENCY PLAN.**—

(A) * * *

* * * * *

(c) **CORRECTIVE COMPLIANCE PLAN.**—

(1) * * *

(2) **EFFECT OF CORRECTING OR DISCONTINUING VIOLATION.**—
The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects or discontinues, as appropriate, the violation pursuant to the plan.

* * * * *

SEC. 411. DATA COLLECTION AND REPORTING.

(a) **QUARTERLY REPORTS BY STATES.**—

(1) **GENERAL REPORTING REQUIREMENT.**—

(A) **CONTENTS OF REPORT.**—Each eligible State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following disaggregated case record information on the families receiving assistance under the State program funded under this part (except for information relating to activities carried out under section 403(a)(5)):

(i) * * *

(ii) Whether a child receiving such assistance or an adult in the family is receiving—

(I) * * *

* * * * *

(III) aid under a State plan approved under title XIV (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972)[];

* * * * *

(vii) The race and educational level of each adult *and minor parent* in the family.

(viii) The race [and educational level] of each child in the family.

(ix) Whether the family received subsidized housing, medical assistance under the State plan approved under title XIX, food stamps, or subsidized child care[, and if the latter 2, the amount received].

(x) The number of months that the family has received **【each type of】** assistance under the program *and, if applicable, the reason for receipt of the assistance for a total of more than 60 months.*

(xi) If the adults participated in, and the number of hours per week of participation in, the following activities:

【(I) Education.

【(II) Subsidized private sector employment.

【(III) Unsubsidized employment.

【(IV) Public sector employment, work experience, or community service.

【(V) Job search.

【(VI) Job skills training or on-the-job training.

【(VII) Vocational education.】

(I) Subsidized private sector employment.

(II) Unsubsidized employment.

(III) Public sector employment, supervised work experience, or supervised community service.

(IV) On-the-job training.

(V) Job search and placement.

(VI) Training.

(VII) Education.

(VIII) Other activities directed at the purposes of this part, as specified in the State plan submitted pursuant to section 402.

(xii) Information necessary to calculate participation rates *and progress toward universal engagement* under section 407.

(xiii) The **【type and】** amount of assistance received under the program, including the amount of and reason for any reduction of assistance (including sanctions).

* * * * *

(xvi) From a sample of closed cases, whether the family left the program, and if so, whether the family left due to—

(I) employment;

【(II) marriage;】

【(III)】 *(II) the prohibition set forth in section 408(a)(7);*

【(IV)】 *(III) sanction; or*

【(V)】 *(IV) State policy.*

* * * * *

(xviii) The date the family first received assistance from the State program on the basis of the most recent application for such assistance.

(xix) Whether a self-sufficiency plan is established for the family in accordance with section 408(b).

(xx) With respect to any child in the family, the marital status of the parents at the birth of the child, and if the parents were not then married, whether the paternity of the child has been established.

(B) USE OF SAMPLES.—

(i) **AUTHORITY.**—A State may comply with subparagraph (A) by submitting disaggregated case record information on **[a sample]** *samples* of families selected through the use of scientifically acceptable sampling methods approved by the Secretary, *except that the Secretary may designate core data elements that must be reported on all families.*

(ii) **SAMPLING AND OTHER METHODS.**—The Secretary shall provide the States with such case sampling plans and data collection procedures as the Secretary deems necessary to produce statistically valid estimates of the performance of State programs **[funded under this part]** *described in subparagraph (A).* The Secretary may develop and implement procedures for verifying the quality of data submitted by the States.

* * * * *

[(5) REPORT ON TRANSITIONAL SERVICES.]—The report required by paragraph (1) for a fiscal quarter shall include the total amount expended by the State during the quarter to provide transitional services to a family that has ceased to receive assistance under this part because of employment, along with a description of such services.

[(6)] (5) REPORT ON FAMILIES RECEIVING ASSISTANCE.—The report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter—

(A) * * *

* * * * *

(6) REPORT ON FAMILIES THAT BECOME INELIGIBLE TO RECEIVE ASSISTANCE.—*The report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter the number of families and total number of individuals that, during the month, became ineligible to receive assistance under the State program funded under this part (broken down by the number of families that become so ineligible due to earnings, changes in family composition that result in increased earnings, sanctions, time limits, or other specified reasons).*

(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements *and to collect the necessary data* with respect to which reports are required by this **[subsection]** *section*, and shall consult with the Secretary of Labor **[in defining the data elements with respect to programs operated with funds provided under section 403(a)(5).]**, *the National Governors' Association, the American Public Human Services Association, the National Conference of State Legislatures, and others in defining the data elements.*

(b) ANNUAL REPORTS ON PROGRAM CHARACTERISTICS.—*Not later than 90 days after the end of fiscal year 2004 and each succeeding fiscal year, each eligible State shall submit to the Secretary a report on the characteristics of the State program funded under this part and other State programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)). The report shall include, with respect to each such program, the program name, a description of program activities, the program purpose, the program eligibility cri-*

teria, the sources of program funding, the number of program beneficiaries, sanction policies, and any program work requirements.

(c) **MONTHLY REPORTS ON CASELOAD.**—Not later than 3 months after the end of a calendar month that begins 1 year or more after the enactment of this subsection, each eligible State shall submit to the Secretary report on the number of families and total number of individuals receiving assistance in the calendar month under the State program funded under this part.

(d) **ANNUAL REPORT ON PERFORMANCE IMPROVEMENT.**—Beginning with fiscal year 2004, not later than January 1 of each fiscal year, each eligible State shall submit to the Secretary a report on achievement and improvement during the preceding fiscal year under the numerical performance goals and measures under the State program funded under this part with respect to each of the matters described in section 402(a)(1)(A)(v).

[(b)] (e) **ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.**—Not later than 6 months after the end of fiscal year 1997, [and each fiscal year thereafter] and by July 1 of each fiscal year thereafter, the Secretary shall transmit to the Congress a report describing—

(1) * * *

(2) the demographic and financial characteristics of [families applying for assistance,] families receiving assistance[, and families that become ineligible to receive assistance;

(3) the characteristics of each State program funded under this part and other programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)); and

* * * * *

(f) **INCREASED ANALYSIS OF STATE SINGLE AUDIT REPORTS.**—

(1) **IN GENERAL.**—Within 3 months after a State submits to the Secretary a report pursuant to section 7502(a)(1)(A) of title 31, United States Code, the Secretary shall analyze the report for the purpose of identifying the extent and nature of problems related to the oversight by the State of nongovernmental entities with respect to contracts entered into by such entities with the State program funded under this part, and determining what additional actions may be appropriate to help prevent and correct the problems.

(2) **INCLUSION OF PROGRAM OVERSIGHT SECTION IN ANNUAL REPORT TO THE CONGRESS.**—The Secretary shall include in each report under subsection (a) a section on oversight of State programs funded under this part, including findings on the extent and nature of the problems referred to in paragraph (1), actions taken to resolve the problems, and to the extent the Secretary deems appropriate make recommendations on changes needed to resolve the problems.

SEC. 412. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.

(a) **GRANTS FOR INDIAN TRIBES.**—

(1) **TRIBAL FAMILY ASSISTANCE GRANT.**—

(A) **IN GENERAL.**—For each of fiscal years [1997, 1998, 1999, 2000, 2001, and 2002] 2003 through 2007, the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount

determined under subparagraph (B), which shall be reduced for a fiscal year, on a pro rata basis for each quarter, in the case of a tribal family assistance plan approved during a fiscal year for which the plan is to be in effect, and shall reduce the grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

* * * * *

(2) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—

(A) IN GENERAL.—For each of fiscal years [1997, 1998, 1999, 2000, 2001, and 2002] *2003 through 2007*, the Secretary shall pay to each eligible Indian tribe that proposes to operate a program described in subparagraph (C) a grant in an amount equal to the amount received by the Indian tribe in fiscal year 1994 under section 482(i) (as in effect during fiscal year 1994).

* * * * *

(3) WELFARE-TO-WORK GRANTS.—

(A) * * *

(B) WELFARE-TO-WORK TRIBE.—An Indian tribe shall be considered a welfare-to-work tribe for a fiscal year for purposes of this paragraph if the Indian tribe meets the following requirements:

(i) * * *

* * * * *

(iv) The Indian tribe has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance and funding of any evaluation under section [413(j)] *413(i)*, and to cooperate with the conduct of any such evaluation.

(b) 3-YEAR TRIBAL FAMILY ASSISTANCE PLAN.—

(1) IN GENERAL.—Any Indian tribe that desires to receive a tribal family assistance grant shall submit to the Secretary a 3-year tribal family assistance plan that—

(A) * * *

* * * * *

(E) identifies the employment opportunities in or near the service area or areas of the Indian tribe and the manner in which the Indian tribe will cooperate and participate in enhancing such opportunities for recipients of assistance under the plan consistent with any applicable State standards; [and]

(F) applies the fiscal accountability provisions of section 5(f)(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450c(f)(1)), relating to the submission of a single-agency audit report required by chapter 75 of title 31, United States Code[.]; and

(G) *provides an assurance that the State in which the tribe is located has been consulted regarding the plan and its design.*

* * * * *

[(f) ELIGIBILITY FOR FEDERAL LOANS.—Section 406 shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such section applies to a State, except that section 406(c) shall be applied by substituting “section 412(a)” for “section 403(a).”]

[(g) (f) PENALTIES.—

(1) * * *

* * * * *

[(h) (g) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

[(i) (h) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—

(1) * * *

* * * * *

SEC. 413. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.

(a) * * *

* * * * *

(d) ANNUAL RANKING OF STATES AND REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—

(1) ANNUAL RANKING OF STATES.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in placing recipients of assistance under the State program funded under this part into [long-term private sector jobs] *private sector jobs, the success of the recipients in retaining employment, the ability of the recipients to increase their wages*, reducing the overall welfare caseload, and, when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance. In ranking States under this subsection, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State for such families.

(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, [assistance] *aid* in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.

* * * * *

[(g) REPORT ON CIRCUMSTANCES OF CERTAIN CHILDREN AND FAMILIES.—

[(1) IN GENERAL.—Beginning 3 years after the date of the enactment of this section, the Secretary of Health and Human Services shall prepare and submit to the Committees on Ways and Means and on Education and the Workforce of the House of Representatives and to the Committees on Finance and on Labor and Resources of the Senate annual reports that examine in detail the matters described in paragraph (2) with re-

spect to each of the following groups for the period after such enactment:

[(A) Individuals who were children in families that have become ineligible for assistance under a State program funded under this part by reason of having reached a time limit on the provision of such assistance.

[(B) Children born after such date of enactment to parents who, at the time of such birth, had not attained 20 years of age.

[(C) Individuals who, after such date of enactment, became parents before attaining 20 years of age.

[(2) MATTERS DESCRIBED.—The matters described in this paragraph are the following:

[(A) The percentage of each group that has dropped out of secondary school (or the equivalent), and the percentage of each group at each level of educational attainment.

[(B) The percentage of each group that is employed.

[(C) The percentage of each group that has been convicted of a crime or has been adjudicated as a delinquent.

[(D) The rate at which the members of each group are born, or have children, out-of-wedlock, and the percentage of each group that is married.

[(E) The percentage of each group that continues to participate in State programs funded under this part.

[(F) The percentage of each group that has health insurance provided by a private entity (broken down by whether the insurance is provided through an employer or otherwise), the percentage that has health insurance provided by an agency of government, and the percentage that does not have health insurance.

[(G) The average income of the families of the members of each group.

[(H) Such other matters as the Secretary deems appropriate.]

[(h)] (g) FUNDING OF STUDIES AND DEMONSTRATIONS.—

(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$15,000,000 for each of fiscal years [1997 through 2002] 2003 through 2007 for the purpose of paying—

(A) * * *

* * * * *

[(i)] (h) CHILD POVERTY RATES.—

(1) * * *

* * * * *

[(j)] (i) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—

(1) * * *

(2) REPORTS TO THE CONGRESS.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), the Secretary, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development, shall submit to the Congress reports on the projects fund-

ed under [section] sections 403(a)(5) and 412(a)(3) and on the evaluations of the projects.

* * * * *

(j) *PERFORMANCE IMPROVEMENT.*—The Secretary, in consultation with the National Governors' Association, the National Conference of State Legislatures, and the American Public Human Services Association, shall develop uniform performance measures designed to assess the degree of effectiveness, and the degree of improvement, of State programs funded under this part in accomplishing the purposes of this part.

(k) *FUNDING FOR RESEARCH, DEMONSTRATIONS, AND TECHNICAL ASSISTANCE.*—

(1) *IN GENERAL.*—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$102,000,000 for each of fiscal years 2003 through 2007, which shall be available to the Secretary for the purpose of conducting and supporting research and demonstration projects by public or private entities, and providing technical assistance to States, Indian tribal organizations, and such other entities as the Secretary may specify that are receiving a grant under this part, which shall be expended primarily on activities described in section 403(a)(2)(B), and which shall be in addition to any other funds made available under this part.

(2) *SET ASIDE FOR DEMONSTRATION PROJECTS FOR COORDINATION OF PROVISION OF CHILD WELFARE AND TANF SERVICES TO TRIBAL FAMILIES AT RISK OF CHILD ABUSE OR NEGLECT.*—

(A) *IN GENERAL.*—Of the amounts made available under paragraph (1) for a fiscal year, \$2,000,000 shall be awarded on a competitive basis to fund demonstration projects designed to test the effectiveness of tribal governments or tribal consortia in coordinating the provision to tribal families at risk of child abuse or neglect of child welfare services and services under tribal programs funded under this part.

(B) *USE OF FUNDS.*—A grant made to such a project shall be used—

(i) to improve case management for families eligible for assistance from such a tribal program;

(ii) for supportive services and assistance to tribal children in out-of-home placements and the tribal families caring for such children, including families who adopt such children; and

(iii) for prevention services and assistance to tribal families at risk of child abuse and neglect.

(C) *REPORTS.*—The Secretary may require a recipient of funds awarded under this paragraph to provide the Secretary with such information as the Secretary deems relevant to enable the Secretary to facilitate and oversee the administration of any project for which funds are provided under this paragraph.

* * * * *

SEC. 414. STUDY BY THE CENSUS BUREAU.

[(a) *IN GENERAL.*—The Bureau of the Census shall continue to collect data on the 1992 and 1993 panels of the Survey of Income

and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact of the amendments made by title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low-income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells, and shall obtain information about the status of children participating in such panels.】

(a) *IN GENERAL.*—*The Bureau of the Census shall implement a new longitudinal survey of program dynamics, developed in consultation with the Secretary and made available to interested parties, to allow for the assessment of the outcomes of continued welfare reform on the economic and child well-being of low-income families with children, including those who received assistance or services from a State program funded under this part, and, to the extent possible, shall provide State representative samples. The content of the survey should include such information as may be necessary to examine the issues of out-of-wedlock childbearing, marriage, welfare dependency, the beginning and ending of spells of assistance, work, earnings and employment stability, and the well-being of children.*

(b) *APPROPRIATION.*—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$10,000,000 for each of fiscal years 【1996, 1997, 1998, 1999, 2000, 2001, and 2002】 2003 through 2007 for payment to the Bureau of the Census to carry out subsection (a).

* * * * *

SEC. 418. FUNDING FOR CHILD CARE.

(a) **GENERAL CHILD CARE ENTITLEMENT.**—

(1) * * *

* * * * *

(3) **APPROPRIATION.**—For grants under this section, there are appropriated—

(A) * * *

* * * * *

【(F) \$2,717,000,000 for fiscal year 2002.】

(F) \$2,717,000,000 for each of fiscal years 2002 through 2007.

* * * * *

SEC. 419. DEFINITIONS.

As used in this part:

(1) * * *

* * * * *

(6) **ASSISTANCE.**—

(A) *IN GENERAL.*—*The term “assistance” means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation or child care).*

(B) *EXCEPTION.*—The term “assistance” does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State in accordance with regulations prescribed by the Secretary).

* * * * *

PART C—FATHERHOOD PROGRAM

SEC. 441. FINDINGS AND PURPOSES.

(a) *FINDINGS.*—The Congress finds that there is substantial evidence strongly indicating the urgent need to promote and support involved, committed, and responsible fatherhood, and to encourage and support healthy marriages between parents raising children, including data demonstrating the following:

(1) In approximately 90 percent of cases where a parent is absent, that parent is the father.

(2) By some estimates, 60 percent of children born in the 1990's will spend a significant portion of their childhood in a home without a father.

(3) Nearly 75 percent of children in single-parent homes will experience poverty before they are 11 years old, compared with only 20 percent of children in 2-parent families.

(4) Low income is positively correlated with children's difficulties with education, social adjustment, and delinquency, and single-parent households constitute a disproportionate share of low-income households.

(5) Where families (whether intact or with a parent absent) are living in poverty, a significant factor is the father's lack of job skills.

(6) Children raised in 2-parent married families, on average, fare better as a group in key areas, including better school performance, reduced rates of substance abuse, crime, and delinquency, fewer health, emotional, and behavioral problems, lower rates of teenage sexual activity, less risk of abuse or neglect, and lower risk of teen suicide.

(7) Committed and responsible fathering during infancy and early childhood contributes to the development of emotional security, curiosity, and math and verbal skills.

(8) An estimated 24,000,000 children (33.5 percent) live apart from their biological father.

(9) A recent national survey indicates that of all children under age 18 not living with their biological father, 29 percent had not seen their father even once in the last 12 months.

(b) *PURPOSES.*—The purposes of this part are:

(1) To provide for projects and activities by public entities and by nonprofit community entities, including religious organizations, designed to test promising approaches to accomplishing the following objectives:

(A) Promoting responsible, caring, and effective parenting through counseling, mentoring, and parenting education, dissemination of educational materials and information on parenting skills, encouragement of positive father involve-

ment, including the positive involvement of nonresident fathers, and other methods.

(B) *Enhancing the abilities and commitment of unemployed or low-income fathers to provide material support for their families and to avoid or leave welfare programs by assisting them to take full advantage of education, job training, and job search programs, to improve work habits and work skills, to secure career advancement by activities such as outreach and information dissemination, coordination, as appropriate, with employment services and job training programs, including the One-Stop delivery system established under title I of the Workforce Investment Act of 1998, encouragement and support of timely payment of current child support and regular payment toward past due child support obligations in appropriate cases, and other methods.*

(C) *Improving fathers' ability to effectively manage family business affairs by means such as education, counseling, and mentoring in matters including household management, budgeting, banking, and handling of financial transactions, time management, and home maintenance.*

(D) *Encouraging and supporting healthy marriages and married fatherhood through such activities as premarital education, including the use of premarital inventories, marriage preparation programs, skills-based marriage education programs, marital therapy, couples counseling, divorce education and reduction programs, divorce mediation and counseling, relationship skills enhancement programs, including those designed to reduce child abuse and domestic violence, and dissemination of information about the benefits of marriage for both parents and children.*

(2) *Through the projects and activities described in paragraph (1), to improve outcomes for children with respect to measures such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide.*

(3) *To evaluate the effectiveness of various approaches and to disseminate findings concerning outcomes and other information in order to encourage and facilitate the replication of effective approaches to accomplishing these objectives.*

SEC. 442. DEFINITIONS.

In this part, the terms "Indian tribe" and "tribal organization" have the meanings given them in subsections (e) and (l), respectively, of section 4 of the Indian Self-Determination and Education Assistance Act.

SEC. 443. COMPETITIVE GRANTS FOR SERVICE PROJECTS.

(a) *IN GENERAL.*—*The Secretary may make grants for fiscal years 2003 through 2007 to public and nonprofit community entities, including religious organizations, and to Indian tribes and tribal organizations, for demonstration service projects and activities designed to test the effectiveness of various approaches to accomplish the objectives specified in section 441(b)(1).*

(b) *ELIGIBILITY CRITERIA FOR FULL SERVICE GRANTS.*—In order to be eligible for a grant under this section, except as specified in subsection (c), an entity shall submit an application to the Secretary containing the following:

(1) *PROJECT DESCRIPTION.*—A statement including—

(A) a description of the project and how it will be carried out, including the geographical area to be covered and the number and characteristics of clients to be served, and how it will address each of the 4 objectives specified in section 441(b)(1); and

(B) a description of the methods to be used by the entity or its contractor to assess the extent to which the project was successful in accomplishing its specific objectives and the general objectives specified in section 441(b)(1).

(2) *EXPERIENCE AND QUALIFICATIONS.*—A demonstration of ability to carry out the project, by means such as demonstration of experience in successfully carrying out projects of similar design and scope, and such other information as the Secretary may find necessary to demonstrate the entity's capacity to carry out the project, including the entity's ability to provide the non-Federal share of project resources.

(3) *ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE.*—A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.

(4) *ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY.*—A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

(5) *COORDINATION WITH SPECIFIED PROGRAMS.*—An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs under parts A, B, and D of this title, including programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

(6) *RECORDS, REPORTS, AND AUDITS.*—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

(7) *SELF-INITIATED EVALUATION.*—If the entity elects to contract for independent evaluation of the project (part or all of the cost of which may be paid for using grant funds), a commitment to submit to the Secretary a copy of the evaluation report within 30 days after completion of the report and not more than 1 year after completion of the project.

(8) *COOPERATION WITH SECRETARY'S OVERSIGHT AND EVALUATION.*—An agreement to cooperate with the Secretary's evaluation of projects assisted under this section, by means including

random assignment of clients to service recipient and control groups, if determined by the Secretary to be appropriate, and affording the Secretary access to the project and to project-related records and documents, staff, and clients.

(c) **ELIGIBILITY CRITERIA FOR LIMITED PURPOSE GRANTS.**—*In order to be eligible for a grant under this section in an amount under \$25,000 per fiscal year, an entity shall submit an application to the Secretary containing the following:*

(1) **PROJECT DESCRIPTION.**—*A description of the project and how it will be carried out, including the number and characteristics of clients to be served, the proposed duration of the project, and how it will address at least 1 of the 4 objectives specified in section 441(b)(1).*

(2) **QUALIFICATIONS.**—*Such information as the Secretary may require as to the capacity of the entity to carry out the project, including any previous experience with similar activities.*

(3) **COORDINATION WITH RELATED PROGRAMS.**—*As required by the Secretary in appropriate cases, an undertaking to coordinate and cooperate with State and local entities responsible for specific programs relating to the objectives of the project including, as appropriate, jobs programs and programs serving children and families.*

(4) **RECORDS, REPORTS, AND AUDITS.**—*An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.*

(5) **COOPERATION WITH SECRETARY'S OVERSIGHT AND EVALUATION.**—*An agreement to cooperate with the Secretary's evaluation of projects assisted under this section, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.*

(d) **CONSIDERATIONS IN AWARDING GRANTS.**—

(1) **DIVERSITY OF PROJECTS.**—*In awarding grants under this section, the Secretary shall seek to achieve a balance among entities of differing sizes, entities in differing geographic areas, entities in urban and in rural areas, and entities employing differing methods of achieving the purposes of this section, including working with the State agency responsible for the administration of part D to help fathers satisfy child support arrearage obligations.*

(2) **PREFERENCE FOR PROJECTS SERVING LOW-INCOME FATHERS.**—*In awarding grants under this section, the Secretary may give preference to applications for projects in which a majority of the clients to be served are low-income fathers.*

(e) **FEDERAL SHARE.**—

(1) **IN GENERAL.**—*Grants for a project under this section for a fiscal year shall be available for a share of the cost of such project in such fiscal year equal to—*

(A) *up to 80 percent (or up to 90 percent, if the entity demonstrates to the Secretary's satisfaction circumstances limiting the entity's ability to secure non-Federal resources) in the case of a project under subsection (b); and*

(B) *up to 100 percent, in the case of a project under subsection (c).*

(2) *NON-FEDERAL SHARE.*—The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal share, the Secretary may attribute fair market value to goods, services, and facilities contributed from non-Federal sources.

SEC. 444. MULTICITY, MULTISTATE DEMONSTRATION PROJECTS.

(a) *IN GENERAL.*—The Secretary may make grants under this section for fiscal years 2003 through 2007 to eligible entities (as specified in subsection (b)) for 2 multicity, multistate projects demonstrating approaches to achieving the objectives specified in section 441(b)(1). One of the projects shall test the use of married couples to deliver program services.

(b) *ELIGIBLE ENTITIES.*—An entity eligible for a grant under this section must be a national nonprofit fatherhood promotion organization that meets the following requirements:

(1) *EXPERIENCE WITH FATHERHOOD PROGRAMS.*—The organization must have substantial experience in designing and successfully conducting programs that meet the purposes described in section 441.

(2) *EXPERIENCE WITH MULTICITY, MULTISTATE PROGRAMS AND GOVERNMENT COORDINATION.*—The organization must have experience in simultaneously conducting such programs in more than 1 major metropolitan area in more than 1 State and in coordinating such programs, where appropriate, with State and local government agencies and private, nonprofit agencies (including community-based and religious organizations), including State or local agencies responsible for child support enforcement and workforce development.

(c) *APPLICATION REQUIREMENTS.*—In order to be eligible for a grant under this section, an entity must submit to the Secretary an application that includes the following:

(1) *QUALIFICATIONS.*—

(A) *ELIGIBLE ENTITY.*—A demonstration that the entity meets the requirements of subsection (b).

(B) *OTHER.*—Such other information as the Secretary may find necessary to demonstrate the entity's capacity to carry out the project, including the entity's ability to provide the non-Federal share of project resources.

(2) *PROJECT DESCRIPTION.*—A description of and commitments concerning the project design, including the following:

(A) *IN GENERAL.*—A detailed description of the proposed project design and how it will be carried out, which shall—

(i) provide for the project to be conducted in at least 3 major metropolitan areas;

(ii) state how it will address each of the 4 objectives specified in section 441(b)(1);

(iii) demonstrate that there is a sufficient number of potential clients to allow for the random selection of individuals to participate in the project and for comparisons with appropriate control groups composed of individuals who have not participated in such projects; and

(iv) demonstrate that the project is designed to direct a majority of project resources to activities serving low-income fathers (but the project need not make services available on a means-tested basis).

(B) OVERSIGHT, EVALUATION, AND ADJUSTMENT COMPONENT.—*An agreement that the entity—*

(i) *in consultation with the evaluator selected pursuant to section 445, and as required by the Secretary, will modify the project design, initially and (if necessary) subsequently throughout the duration of the project, in order to facilitate ongoing and final oversight and evaluation of project operation and outcomes (by means including, to the maximum extent feasible, random assignment of clients to service recipient and control groups), and to provide for mid-course adjustments in project design indicated by interim evaluations;*

(ii) *will submit to the Secretary revised descriptions of the project design as modified in accordance with clause (i); and*

(iii) *will cooperate fully with the Secretary's ongoing oversight and ongoing and final evaluation of the project, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.*

(3) ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE.—*A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.*

(4) ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY.—*A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.*

(5) COORDINATION WITH SPECIFIED PROGRAMS.—*An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs funded under parts A, B, and D of this title, programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.*

(6) RECORDS, REPORTS, AND AUDITS.—*An agreement to maintain such records, make such reports, and cooperate with such reviews or audits (in addition to those required under the preceding provisions of paragraph (2)) as the Secretary may find necessary for purposes of oversight of project activities and expenditures.*

(d) FEDERAL SHARE.—

(1) IN GENERAL.—*Grants for a project under this section for a fiscal year shall be available for up to 80 percent of the cost of such project in such fiscal year.*

(2) NON-FEDERAL SHARE.—*The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal*

share, the Secretary may attribute fair market value to goods, services, and facilities contributed from non-Federal sources.

SEC. 445. EVALUATION.

(a) IN GENERAL.—The Secretary, directly or by contract or cooperative agreement, shall evaluate the effectiveness of service projects funded under sections 443 and 444 from the standpoint of the purposes specified in section 441(b)(1).

(b) EVALUATION METHODOLOGY.—Evaluations under this section shall—

(1) include, to the maximum extent feasible, random assignment of clients to service delivery and control groups and other appropriate comparisons of groups of individuals receiving and not receiving services;

(2) describe and measure the effectiveness of the projects in achieving their specific project goals; and

(3) describe and assess, as appropriate, the impact of such projects on marriage, parenting, domestic violence, child abuse and neglect, money management, employment and earnings, payment of child support, and child well-being, health, and education.

(c) EVALUATION REPORTS.—The Secretary shall publish the following reports on the results of the evaluation:

(1) An implementation evaluation report covering the first 24 months of the activities under this part to be completed by 36 months after initiation of such activities.

(2) A final report on the evaluation to be completed by September 30, 2010.

SEC. 446. PROJECTS OF NATIONAL SIGNIFICANCE.

The Secretary is authorized, by grant, contract, or cooperative agreement, to carry out projects and activities of national significance relating to fatherhood promotion, including—

(1) COLLECTION AND DISSEMINATION OF INFORMATION.—Assisting States, communities, and private entities, including religious organizations, in efforts to promote and support marriage and responsible fatherhood by collecting, evaluating, developing, and making available (through the Internet and by other means) to all interested parties information regarding approaches to accomplishing the objectives specified in section 441(b)(1).

(2) MEDIA CAMPAIGN.—Developing, promoting, and distributing to interested States, local governments, public agencies, and private nonprofit organizations, including charitable and religious organizations, a media campaign that promotes and encourages involved, committed, and responsible fatherhood and married fatherhood.

(3) TECHNICAL ASSISTANCE.—Providing technical assistance, including consultation and training, to public and private entities, including community organizations and faith-based organizations, in the implementation of local fatherhood promotion programs.

(4) RESEARCH.—Conducting research related to the purposes of this part.

SEC. 447. NONDISCRIMINATION.

The projects and activities assisted under this part shall be available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and noncustodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers on the same basis as to fathers.

SEC. 448. AUTHORIZATION OF APPROPRIATIONS; RESERVATION FOR CERTAIN PURPOSE.

(a) AUTHORIZATION.—There are authorized to be appropriated \$20,000,000 for each of fiscal years 2003 through 2007 to carry out the provisions of this part.

(b) RESERVATION.—Of the amount appropriated under this section for each fiscal year, not more than 15 percent shall be available for the costs of the multicounty, multistate demonstration projects under section 444, evaluations under section 445, and projects of national significance under section 446.

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

* * * * *

DUTIES OF THE SECRETARY**SEC. 452. (a) * * ***

* * * * *

(j) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 1 percent of the total amount paid to the Federal Government pursuant to a plan approved under this part during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year), or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater, which shall be available for use by the Secretary, either directly or through grants, contracts, or interagency agreements, for—

*(1) * * **

* * * * *

*(k)(1) If the Secretary receives a certification by a State agency in accordance with the requirements of section 454(31) that an individual owes arrearages of child support in an amount exceeding **[\$5,000]** \$2,500, the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to paragraph (2).*

* * * * *

FEDERAL PARENT LOCATOR SERVICE**SEC. 453. (a) * * ***

* * * * *

(j) INFORMATION COMPARISONS AND OTHER DISCLOSURES.—

(1) * * *

* * * * *

(7) *INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.*—

(A) *IN GENERAL.*—If a State agency responsible for the administration of an unemployment compensation program under Federal or State law transmits to the Secretary the name and social security account number of an individual, the Secretary shall, if the information in the National Directory of New Hires indicates that the individual may be employed, disclose to the State agency the name, address, and employer identification number of any putative employer of the individual, subject to this paragraph.

(B) *CONDITION ON DISCLOSURE.*—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.

(C) *USE OF INFORMATION.*—A State agency may use information provided under this paragraph only for purposes of administering a program referred to in subparagraph (A).

* * * * *

(o) *USE OF SET-ASIDE FUNDS.*—Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 2 percent of the total amount paid to the Federal Government pursuant to a plan approved under this part during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year), or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater, which shall be available for use by the Secretary, either directly or through grants, contracts, or interagency agreements, for operation of the Federal Parent Locator Service under this section, to the extent such costs are not recovered through user fees. Amounts appropriated under this subsection [for each of fiscal years 1997 through 2001] shall remain available until expended.

* * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

(1) * * *

* * * * *

(6) provide that—

(A) * * *

(B)(i) an application fee for furnishing such services shall be imposed on an individual, other than an individual receiving assistance under a State program funded under part A or E, or under a State plan approved under title XIX, or who is required by the State to cooperate with the State agency administering the program under this part pursuant to subsection (l) or (m) of section 6 of the Food Stamp Act of 1977, and shall be paid by the indi-

vidual applying for such services, or recovered from the absent parent, or paid by the State out of its own funds (the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and shall be considered income to the program), the amount of which [(i)] (I) will not exceed \$25 (or such higher or lower amount (which shall be uniform for all States) as the Secretary may determine to be appropriate for any fiscal year to reflect increases or decreases in administrative costs), and [(ii)] (II) may vary among such individuals on the basis of ability to pay (as determined by the State); and

(ii) in the case of an individual who has never received assistance under a State program funded under part A and for whom the State has collected at least \$500 of support, the State shall impose an annual fee of \$25 for each case in which services are furnished, which shall be retained by the State from support collected on behalf of the individual (but not from the 1st \$500 so collected), paid by the individual applying for the services, recovered from the absent parent, or paid by the State out of its own funds (the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and shall be considered income to the program);

* * * * *

(31) provide that the State agency will have in effect a procedure for certifying to the Secretary, for purposes of the procedure under section 452(k), determinations that individuals owe arrearages of child support in an amount exceeding [\$5,000] \$2,500, under which procedure—

(A) * * *

* * * * *

SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.

(a) IN GENERAL.—Subject to subsections (d) and (e), an amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

(A) pay to the Federal Government the Federal share of the amount so collected *subject to paragraph (7)*; and

(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

(A) * * *

(B) PAYMENTS OF ARREARAGES.—To the extent that the amount so collected exceeds the amount required to be paid to the family for the month in which collected, the State shall, *except as provided in paragraph (8)*, distribute the amount so collected as follows:

(i) * * *

* * * * *

【(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute the amount so collected to the family.】

(3) *FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute to the family the portion of the amount so collected that remains after withholding any fee pursuant to section 454(6)(B)(ii).*

* * * * *

(7) *FEDERAL MATCHING FUNDS FOR LIMITED PASS THROUGH OF CHILD SUPPORT PAYMENTS TO FAMILIES RECEIVING TANF.—Notwithstanding paragraph (1), a State shall not be required to pay to the Federal Government the Federal share of an amount collected during a month on behalf of a family that is a recipient of assistance under the State program funded under part A, to the extent that—*

(A) the State distributes the amount to the family;

(B) the total of the amounts so distributed to the family during the month—

(i) exceeds the amount (if any) that, as of December 31, 2001, was required under State law to be distributed to a family under paragraph (1)(B); and

(ii) does not exceed the greater of—

(I) \$100; or

(II) \$50 plus the amount described in clause (i); and

(C) the amount is disregarded in determining the amount and type of assistance provided to the family under the State program funded under part A.

(8) *STATE OPTION TO PASS THROUGH ALL CHILD SUPPORT PAYMENTS TO FAMILIES THAT FORMERLY RECEIVED TANF.—In lieu of applying paragraph (2) to any family described in paragraph (2), a State may distribute to the family any amount collected during a month on behalf of the family.*

* * * * *

**SEC. 459. CONSENT BY THE UNITED STATES TO INCOME WITH-
HOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS
FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY
OBLIGATIONS.**

(a) * * *

* * * * *

(h) **MONEYS SUBJECT TO PROCESS.—**

(1) **IN GENERAL.—**Subject to paragraph (2), moneys payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

(A) consist of—

(i) * * *

(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

(I) * * *

* * * * *

(V) by the Secretary of Veterans Affairs as compensation for a service-connected disability paid by the Secretary to a former member of the Armed

Forces [who is in receipt of retired or retainer pay if the former member has waived a portion of the retired or retainer pay in order to receive such compensation];

* * * * *

(3) *LIMITATIONS WITH RESPECT TO COMPENSATION PAID TO VETERANS FOR SERVICE-CONNECTED DISABILITIES.—Notwithstanding any other provision of this section:*

(A) *Compensation described in paragraph (1)(A)(ii)(V) shall not be subject to withholding pursuant to this section—*

(i) for payment of alimony; or

(ii) for payment of child support if the individual is fewer than 60 days in arrears in payment of the support.

(B) *Not more than 50 percent of any payment of compensation described in paragraph (1)(A)(ii)(V) may be withheld pursuant to this section.*

* * * * *

COLLECTION OF PAST-DUE SUPPORT FROM FEDERAL TAX REFUNDS

SEC. 464. (a)(1) * * *

(2)(A) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support [(as that term is defined for purposes of this paragraph under subsection (c))] which such State has agreed to collect under section 454(4)(A)(ii), and that the State agency has sent notice to such individual in accordance with paragraph (3)(A), the Secretary of the Treasury shall determine whether any amounts, as refunds of Federal taxes paid, are payable to such individual (regardless of whether such individual filed a tax return as a married or unmarried individual). If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to such past-due support, and shall concurrently send notice to such individual that the withholding has been made, including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund. The Secretary of the Treasury shall pay the amount withheld to the State agency, and the State shall pay to the Secretary of the Treasury any fee imposed by the Secretary of the Treasury to cover the costs of the withholding and any required notification. The State agency shall, subject to paragraph (3)(B), distribute such amount to or on behalf of the child to whom the support was owed in accordance with section 457. This subsection may be executed by the Secretary of the Department of the Treasury or his designee.

* * * * *

(c)[(1) Except as provided in paragraph (2), as used in] *In this part the term “past-due support” means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and main-*

tenance of a child (*whether or not a minor*), or of a child (*whether or not a minor*) and the parent with whom the child is living.

[(2) For purposes of subsection (a)(2), the term “past-due support” means only past-due support owed to or on behalf of a qualified child (or a qualified child and the parent with whom the child is living if the same support order includes support for the child and the parent).

[(3) For purposes of paragraph (2), the term “qualified child” means a child—

[(A) who is a minor; or

[(B)(i) who, while a minor, was determined to be disabled under title II or XVI; and

[(ii) for whom an order of support is in force.]

* * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

(1) * * *

* * * * *

(10) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS UPON REQUEST.—

(A) 3-YEAR CYCLE.—

(i) IN GENERAL.—Procedures under which every 3 years (or such shorter cycle as the State may determine), upon the request of either [parent, or,] *parent* or if there is an assignment under part A, [upon the request of the State agency under the State plan or of either parent,] the State shall with respect to a support order being enforced under this part, taking into account the best interests of the child involved—

(I) * * *

* * * * *

TITLE XI—GENERAL PROVISIONS, PEER REVIEW, AND ADMINISTRATIVE SIMPLIFICATION

* * * * *

PART A—GENERAL PROVISIONS

* * * * *

SEC. 1108. ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS.

(a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—

(1) * * *

(2) CERTAIN PAYMENTS DISREGARDED.—Paragraph (1) of this subsection shall be applied without regard to any payment made under section 403(a)(2), 403(a)(4), 403(a)(5), [406,] or 413(f).

(b) ENTITLEMENT TO MATCHING GRANT.—

(1) * * *

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years **【1997 through 2002】** *2003 through 2007*, such sums as are necessary for grants under this paragraph.

* * * * *

DEMONSTRATION PROJECTS

SEC. 1130. (a) AUTHORITY TO APPROVE DEMONSTRATION PROJECTS.—

(1) * * *

(2) LIMITATION.—The Secretary may authorize **【not more than 10】** demonstration projects under paragraph (1) in each of fiscal years 1998 through **【2002】** *2007*.

* * * * *

(b) WAIVER AUTHORITY.—The Secretary may waive compliance with any requirement of part B or E of title IV which (if applied) would prevent a State from carrying out a demonstration project under this section or prevent the State from effectively achieving the purpose of such a project, except that the Secretary may not waive—

(1) any provision of section 427 (as in effect before April 1, 1996), section **【422(b)(9)】** *422(b)(10)* (as in effect after such date), or section 479; or

* * * * *

(h) *NO LIMIT ON NUMBER OF STATES THAT MAY BE GRANTED WAIVERS TO CONDUCT SAME OR SIMILAR DEMONSTRATION PROJECTS.*—The Secretary shall not refuse to grant a waiver to a State under this section on the grounds that a purpose of the waiver or of the demonstration project for which the waiver is necessary would be the same as or similar to a purpose of another waiver or project that is or may be conducted under this section.

(i) *NO LIMIT ON NUMBER OF WAIVERS GRANTED TO, OR DEMONSTRATION PROJECTS THAT MAY BE CONDUCTED BY, A SINGLE STATE.*—The Secretary shall not impose any limit on the number of waivers that may be granted to a State, or the number of demonstration projects that a State may be authorized to conduct, under this section.

(j) *STREAMLINED PROCESS FOR CONSIDERATION OF AMENDMENTS AND EXTENSIONS.*—The Secretary shall develop a streamlined process for consideration of amendments and extensions proposed by States to demonstration projects conducted under this section.

(k) *AVAILABILITY OF REPORTS.*—The Secretary shall make available to any State or other interested party any report provided to the Secretary under subsection (f)(2), and any evaluation or report made by the Secretary with respect to a demonstration project conducted under this section, with a focus on information that may promote best practices and program improvements.

* * * * *

TITLE XVI—SUPPLEMENTAL SECURITY INCOME FOR THE
AGED, BLIND, AND DISABLED

* * * *

PART B—PROCEDURAL AND GENERAL PROVISIONS

ADMINISTRATION

SEC. 1633. (a) * * *

* * * *

(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner of Social Security shall review such a determination before any action is taken to implement the determination.

(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

(i) at least 20 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2003;

(ii) at least 40 percent of all such determinations that are made in fiscal year 2004; and

(iii) at least 50 percent of all such determinations that are made in fiscal year 2005 or thereafter.

(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.

* * * *

**PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY
RECONCILIATION ACT OF 1996**

* * * *

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY
FAMILIES

Sec. 101. Findings.

* * * *

Sec. 117. Fatherhood program.

* * * *

**TITLE I—BLOCK GRANTS FOR TEM-
PORARY ASSISTANCE FOR NEEDY
FAMILIES**

* * * *

SEC. 117. FATHERHOOD PROGRAM.

(a) IN GENERAL.—Title IV (42 U.S.C. 601–679b) is amended by inserting after part B the following:

“PART C—FATHERHOOD PROGRAM

“SEC. 441. FINDINGS AND PURPOSES.

“(a) FINDINGS.—The Congress finds that there is substantial evidence strongly indicating the urgent need to promote and support involved, committed, and responsible fatherhood, and to encourage and support healthy marriages between parents raising children, including data demonstrating the following:

“(1) In approximately 90 percent of cases where a parent is absent, that parent is the father.

“(2) By some estimates, 60 percent of children born in the 1990’s will spend a significant portion of their childhood in a home without a father.

“(3) Nearly 75 percent of children in single-parent homes will experience poverty before they are 11 years old, compared with only 20 percent of children in 2-parent families.

“(4) Low income is positively correlated with children’s difficulties with education, social adjustment, and delinquency, and single-parent households constitute a disproportionate share of low-income households.

“(5) Where families (whether intact or with a parent absent) are living in poverty, a significant factor is the father’s lack of job skills.

“(6) Children raised in 2-parent married families, on average, fare better as a group in key areas, including better school performance, reduced rates of substance abuse, crime, and delinquency, fewer health, emotional, and behavioral problems, lower rates of teenage sexual activity, less risk of abuse or neglect, and lower risk of teen suicide.

“(7) Committed and responsible fathering during infancy and early childhood contributes to the development of emotional security, curiosity, and math and verbal skills.

“(8) An estimated 24,000,000 children (33.5 percent) live apart from their biological father.

“(9) A recent national survey indicates that of all children under age 18 not living with their biological father, 29 percent had not seen their father even once in the last 12 months.

“(b) PURPOSES.—The purposes of this part are:

“(1) To provide for projects and activities by public entities and by nonprofit community entities, including religious organizations, designed to test promising approaches to accomplishing the following objectives:

“(A) Promoting responsible, caring, and effective parenting through counseling, mentoring, and parenting education, dissemination of educational materials and information on parenting skills, encouragement of positive father involvement, including the positive involvement of non-resident fathers, and other methods.

“(B) Enhancing the abilities and commitment of unemployed or low-income fathers to provide material support for their families and to avoid or leave welfare programs by assisting them to take full advantage of education, job training, and job search programs, to improve work habits and work skills, to secure career advancement by activities such as outreach and information dissemination, coordina-

tion, as appropriate, with employment services and job training programs, including the One-Stop delivery system established under title I of the Workforce Investment Act of 1998, encouragement and support of timely payment of current child support and regular payment toward past due child support obligations in appropriate cases, and other methods.

“(C) Improving fathers’ ability to effectively manage family business affairs by means such as education, counseling, and mentoring in matters including household management, budgeting, banking, and handling of financial transactions, time management, and home maintenance.

“(D) Encouraging and supporting healthy marriages and married fatherhood through such activities as premarital education, including the use of premarital inventories, marriage preparation programs, skills-based marriage education programs, marital therapy, couples counseling, divorce education and reduction programs, divorce mediation and counseling, relationship skills enhancement programs, including those designed to reduce child abuse and domestic violence, and dissemination of information about the benefits of marriage for both parents and children.

“(2) Through the projects and activities described in paragraph (1), to improve outcomes for children with respect to measures such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide.

“(3) To evaluate the effectiveness of various approaches and to disseminate findings concerning outcomes and other information in order to encourage and facilitate the replication of effective approaches to accomplishing these objectives.

“SEC. 442. DEFINITIONS.

“In this part, the terms ‘Indian tribe’ and ‘tribal organization’ have the meanings given them in subsections (e) and (l), respectively, of section 4 of the Indian Self-Determination and Education Assistance Act.

“SEC. 443. COMPETITIVE GRANTS FOR SERVICE PROJECTS.

“(a) *IN GENERAL.*—The Secretary may make grants for fiscal years 2003 through 2007 to public and nonprofit community entities, including religious organizations, and to Indian tribes and tribal organizations, for demonstration service projects and activities designed to test the effectiveness of various approaches to accomplish the objectives specified in section 441(b)(1).

“(b) *ELIGIBILITY CRITERIA FOR FULL SERVICE GRANTS.*—In order to be eligible for a grant under this section, except as specified in subsection (c), an entity shall submit an application to the Secretary containing the following:

“(1) *PROJECT DESCRIPTION.*—A statement including—

“(A) a description of the project and how it will be carried out, including the geographical area to be covered and the number and characteristics of clients to be served, and

how it will address each of the 4 objectives specified in section 441(b)(1); and

“(B) a description of the methods to be used by the entity or its contractor to assess the extent to which the project was successful in accomplishing its specific objectives and the general objectives specified in section 441(b)(1).

“(2) *EXPERIENCE AND QUALIFICATIONS*.—A demonstration of ability to carry out the project, by means such as demonstration of experience in successfully carrying out projects of similar design and scope, and such other information as the Secretary may find necessary to demonstrate the entity’s capacity to carry out the project, including the entity’s ability to provide the non-Federal share of project resources.

“(3) *ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE*.—A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.

“(4) *ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY*.—A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

“(5) *COORDINATION WITH SPECIFIED PROGRAMS*.—An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs under parts A, B, and D of this title, including programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

“(6) *RECORDS, REPORTS, AND AUDITS*.—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

“(7) *SELF-INITIATED EVALUATION*.—If the entity elects to contract for independent evaluation of the project (part or all of the cost of which may be paid for using grant funds), a commitment to submit to the Secretary a copy of the evaluation report within 30 days after completion of the report and not more than 1 year after completion of the project.

“(8) *COOPERATION WITH SECRETARY’S OVERSIGHT AND EVALUATION*.—An agreement to cooperate with the Secretary’s evaluation of projects assisted under this section, by means including random assignment of clients to service recipient and control groups, if determined by the Secretary to be appropriate, and affording the Secretary access to the project and to project-related records and documents, staff, and clients.

“(c) *ELIGIBILITY CRITERIA FOR LIMITED PURPOSE GRANTS*.—In order to be eligible for a grant under this section in an amount under \$25,000 per fiscal year, an entity shall submit an application to the Secretary containing the following:

“(1) *PROJECT DESCRIPTION.*—A description of the project and how it will be carried out, including the number and characteristics of clients to be served, the proposed duration of the project, and how it will address at least 1 of the 4 objectives specified in section 441(b)(1).

“(2) *QUALIFICATIONS.*—Such information as the Secretary may require as to the capacity of the entity to carry out the project, including any previous experience with similar activities.

“(3) *COORDINATION WITH RELATED PROGRAMS.*—As required by the Secretary in appropriate cases, an undertaking to coordinate and cooperate with State and local entities responsible for specific programs relating to the objectives of the project including, as appropriate, jobs programs and programs serving children and families.

“(4) *RECORDS, REPORTS, AND AUDITS.*—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

“(5) *COOPERATION WITH SECRETARY’S OVERSIGHT AND EVALUATION.*—An agreement to cooperate with the Secretary’s evaluation of projects assisted under this section, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.

“(d) *CONSIDERATIONS IN AWARDING GRANTS.*—

“(1) *DIVERSITY OF PROJECTS.*—In awarding grants under this section, the Secretary shall seek to achieve a balance among entities of differing sizes, entities in differing geographic areas, entities in urban and in rural areas, and entities employing differing methods of achieving the purposes of this section, including working with the State agency responsible for the administration of part D to help fathers satisfy child support arrearage obligations.

“(2) *PREFERENCE FOR PROJECTS SERVING LOW-INCOME FATHERS.*—In awarding grants under this section, the Secretary may give preference to applications for projects in which a majority of the clients to be served are low-income fathers.

“(e) *FEDERAL SHARE.*—

“(1) *IN GENERAL.*—Grants for a project under this section for a fiscal year shall be available for a share of the cost of such project in such fiscal year equal to—

“(A) up to 80 percent (or up to 90 percent, if the entity demonstrates to the Secretary’s satisfaction circumstances limiting the entity’s ability to secure non-Federal resources) in the case of a project under subsection (b); and

“(B) up to 100 percent, in the case of a project under subsection (c).

“(2) *NON-FEDERAL SHARE.*—The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal share, the Secretary may attribute fair market value to goods, services, and facilities contributed from non-Federal sources.

“SEC. 444. MULTICITY, MULTISTATE DEMONSTRATION PROJECTS.

“(a) *IN GENERAL.*—The Secretary may make grants under this section for fiscal years 2003 through 2007 to eligible entities (as specified in subsection (b)) for 2 multicity, multistate projects dem-

onstrating approaches to achieving the objectives specified in section 441(b)(1). One of the projects shall test the use of married couples to deliver program services.

“(b) *ELIGIBLE ENTITIES.*—An entity eligible for a grant under this section must be a national nonprofit fatherhood promotion organization that meets the following requirements:

“(1) *EXPERIENCE WITH FATHERHOOD PROGRAMS.*—The organization must have substantial experience in designing and successfully conducting programs that meet the purposes described in section 441.

“(2) *EXPERIENCE WITH MULTICITY, MULTISTATE PROGRAMS AND GOVERNMENT COORDINATION.*—The organization must have experience in simultaneously conducting such programs in more than 1 major metropolitan area in more than 1 State and in coordinating such programs, where appropriate, with State and local government agencies and private, nonprofit agencies (including community-based and religious organizations), including State or local agencies responsible for child support enforcement and workforce development.

“(c) *APPLICATION REQUIREMENTS.*—In order to be eligible for a grant under this section, an entity must submit to the Secretary an application that includes the following:

“(1) *QUALIFICATIONS.*—

“(A) *ELIGIBLE ENTITY.*—A demonstration that the entity meets the requirements of subsection (b).

“(B) *OTHER.*—Such other information as the Secretary may find necessary to demonstrate the entity’s capacity to carry out the project, including the entity’s ability to provide the non-Federal share of project resources.

“(2) *PROJECT DESCRIPTION.*—A description of and commitments concerning the project design, including the following:

“(A) *IN GENERAL.*—A detailed description of the proposed project design and how it will be carried out, which shall—

“(i) provide for the project to be conducted in at least 3 major metropolitan areas;

“(ii) state how it will address each of the 4 objectives specified in section 441(b)(1);

“(iii) demonstrate that there is a sufficient number of potential clients to allow for the random selection of individuals to participate in the project and for comparisons with appropriate control groups composed of individuals who have not participated in such projects; and

“(iv) demonstrate that the project is designed to direct a majority of project resources to activities serving low-income fathers (but the project need not make services available on a means-tested basis).

“(B) *OVERSIGHT, EVALUATION, AND ADJUSTMENT COMPONENT.*—An agreement that the entity—

“(i) in consultation with the evaluator selected pursuant to section 445, and as required by the Secretary, will modify the project design, initially and (if necessary) subsequently throughout the duration of the project, in order to facilitate ongoing and final oversight and evaluation of project operation and outcomes

(by means including, to the maximum extent feasible, random assignment of clients to service recipient and control groups), and to provide for mid-course adjustments in project design indicated by interim evaluations;

“(ii) will submit to the Secretary revised descriptions of the project design as modified in accordance with clause (i); and

“(iii) will cooperate fully with the Secretary’s ongoing oversight and ongoing and final evaluation of the project, by means including affording the Secretary access to the project and to project-related records and documents, staff, and clients.

“(3) ADDRESSING CHILD ABUSE AND NEGLECT AND DOMESTIC VIOLENCE.—A description of how the entity will assess for the presence of, and intervene to resolve, domestic violence and child abuse and neglect, including how the entity will coordinate with State and local child protective service and domestic violence programs.

“(4) ADDRESSING CONCERNS RELATING TO SUBSTANCE ABUSE AND SEXUAL ACTIVITY.—A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

“(5) COORDINATION WITH SPECIFIED PROGRAMS.—An undertaking to coordinate, as appropriate, with State and local entities responsible for the programs funded under parts A, B, and D of this title, programs under title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

“(6) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, make such reports, and cooperate with such reviews or audits (in addition to those required under the preceding provisions of paragraph (2)) as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

“(d) FEDERAL SHARE.—

“(1) IN GENERAL.—Grants for a project under this section for a fiscal year shall be available for up to 80 percent of the cost of such project in such fiscal year.

“(2) NON-FEDERAL SHARE.—The non-Federal share may be in cash or in kind. In determining the amount of the non-Federal share, the Secretary may attribute fair market value to goods, services, and facilities contributed from non-Federal sources.

“SEC. 445. EVALUATION.

“(a) IN GENERAL.—The Secretary, directly or by contract or cooperative agreement, shall evaluate the effectiveness of service projects funded under sections 443 and 444 from the standpoint of the purposes specified in section 441(b)(1).

“(b) EVALUATION METHODOLOGY.—Evaluations under this section shall—

“(1) include, to the maximum extent feasible, random assignment of clients to service delivery and control groups and other appropriate comparisons of groups of individuals receiving and not receiving services;

“(2) describe and measure the effectiveness of the projects in achieving their specific project goals; and

“(3) describe and assess, as appropriate, the impact of such projects on marriage, parenting, domestic violence, child abuse and neglect, money management, employment and earnings, payment of child support, and child well-being, health, and education.

“(c) EVALUATION REPORTS.—The Secretary shall publish the following reports on the results of the evaluation:

“(1) An implementation evaluation report covering the first 24 months of the activities under this part to be completed by 36 months after initiation of such activities.

“(2) A final report on the evaluation to be completed by September 30, 2010.

“SEC. 446. PROJECTS OF NATIONAL SIGNIFICANCE.

“The Secretary is authorized, by grant, contract, or cooperative agreement, to carry out projects and activities of national significance relating to fatherhood promotion, including—

“(1) COLLECTION AND DISSEMINATION OF INFORMATION.—Assisting States, communities, and private entities, including religious organizations, in efforts to promote and support marriage and responsible fatherhood by collecting, evaluating, developing, and making available (through the Internet and by other means) to all interested parties information regarding approaches to accomplishing the objectives specified in section 441(b)(1).

“(2) MEDIA CAMPAIGN.—Developing, promoting, and distributing to interested States, local governments, public agencies, and private nonprofit organizations, including charitable and religious organizations, a media campaign that promotes and encourages involved, committed, and responsible fatherhood and married fatherhood.

“(3) TECHNICAL ASSISTANCE.—Providing technical assistance, including consultation and training, to public and private entities, including community organizations and faith-based organizations, in the implementation of local fatherhood promotion programs.

“(4) RESEARCH.—Conducting research related to the purposes of this part.

“SEC. 447. NONDISCRIMINATION.

“The projects and activities assisted under this part shall be available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and noncustodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers on the same basis as to fathers.

“SEC. 448. AUTHORIZATION OF APPROPRIATIONS; RESERVATION FOR CERTAIN PURPOSE.

“(a) AUTHORIZATION.—There are authorized to be appropriated \$20,000,000 for each of fiscal years 2003 through 2007 to carry out the provisions of this part.

“(b) RESERVATION.—Of the amount appropriated under this section for each fiscal year, not more than 15 percent shall be available for the costs of the multicounty, multicounty, multistate demonstration projects under section 444, evaluations under section 445, and projects of national significance under section 446.”.

(b) INAPPLICABILITY OF EFFECTIVE DATE PROVISIONS.—Section 116 shall not apply to the amendment made by subsection (a) of this section.

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SECTION 3716 OF TITLE 31, UNITED STATES CODE

§ 3716. Administrative offset

(a) * * *

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(h)(1) * * *

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[(3) In applying this section with respect to any debt owed to a State, subsection (c)(3)(A) shall not apply.]

(3) In applying this subsection with respect to any debt owed to a State, other than past due support being enforced by the State, subsection (c)(3)(A) shall not apply. Subsection (c)(3)(A) shall apply with respect to past due support being enforced by the State notwithstanding any other provision of law, including sections 207 and 1631(d)(1) of the Social Security Act (42 U.S.C. 407 and 1383(d)(1)), section 413(b) of Public law 91–173 (30 U.S.C. 923(b)), and section 14 of the Act of August 29, 1935 (45 U.S.C. 231m).

VII. MINORITY VIEWS

We oppose the legislation (HR 4090) reported by the Committee to reauthorize and modify the Temporary Assistance for Needy Families (TANF) program because it fails to address the most fundamental goal of welfare reform—moving recipients into real jobs and out of poverty. The bill promotes make-work at the expense of wage-paying employment, replaces State flexibility with unfunded mandates, and does nothing to help families escape poverty when they leave welfare.

We have heard from Governors, Mayors, State legislators, welfare directors and poverty experts that HR 4090 is a step in the wrong direction. We agree. We have heard from a bipartisan group of Senators, lead by Senators Breaux and Hatch, that we should expand access to vocational education, give States credit for placing people in real jobs, maintain State flexibility on how to engage TANF recipients, increase child care funding, and remove restrictions on serving legal immigrants. We agree. Unfortunately, none of those proposals are contained in HR 4090. In fact, the legislation eliminates vocational education from the list of activities that count as a work-related activity. Apparently, education is the key to every American's future, except for poor single-mothers with children.

We are particularly concerned that the cumulative effect of three provisions in the bill could force States to establish large unpaid work experience programs: (1) requiring 70% of welfare recipients to be enrolled in federally-defined work activities (without providing States with an employment credit for recipients leaving welfare for work), (2) increasing to 40 hours a week the amount of time recipients must be participating in work activities (double the number of hours now required for mothers with children under the age of six), and (3) reducing State discretion to count vocational training and job search toward the work requirement.

These new requirements would dramatically limit State flexibility to tailor services and activities to the individual needs of welfare recipients, and they will focus States on placing recipients in make-work activities, rather than in real jobs. In fact, 41 out of 47 States surveyed by the National Governors Association indicated that the proposal would require them to make "fundamental" changes to their welfare programs. Many States expressed concerns about being forced to shift attention and resources away from helping welfare recipients get jobs and move up the employment ladder in order to establish new workfare programs.

The available research on welfare recipients participating in work experience programs has *not* found that such arrangements improve employment outcomes compared to other activities, such as vocational training or job search. Almost a decade ago, a comprehensive study by the Manpower Demonstration Research Corporation (MDRC) found “little evidence that unpaid work experience leads to consistent employment or earnings effects.” More recently, a study by the University of Washington found that State’s workfare program (which is now being terminated) had much less impact on the wages of former welfare recipients than pre-employment training.

Perhaps this research is one of the reasons that very few States have implemented large workfare programs over the last six years. Some jurisdictions that did create work experience programs are now beginning to scale back those efforts. For example, New York City enrolled less than 10% of its adult TANF caseload in work experience programs at the end of last year compared to 15% two years ago.

We are also concerned that despite assurances from the Administration about maintaining existing minimum wage protections for welfare recipients in workfare programs, the Republican bill fails to include such protections. In fact, more than half of the States could not fulfill the bill’s work requirement without violating the current minimum wage protection (in the case of a two-person family).

The Congressional Budget Office (CBO) has informed us that implementing the new work requirements in the bill would cost States between \$8 and \$11 billion over the next five years. In addition, CBO has indicated that maintaining the current purchasing power of the TANF and child care block grants will cost States another \$7 billion over five years. And yet, HR 4090 does not contain a single dime of new funding. This unfunded mandate could force States to cut child care funding for the working poor in order to finance the additional day care costs for TANF recipients in workfare programs.

We believe there is a better way—one that maintains State flexibility, one that focuses on real work, and one that seeks to help families escape poverty. We support strong work requirements that seek to move people into real jobs. We believe that States should have the flexibility to determine the best mix of services and activities to move welfare recipients towards self-sufficiency. We think States should receive a credit based on employment, not caseload

reduction. We want to end discrimination against legal immigrants and provide welfare recipients with access to vocational training so they can find good jobs. And we support providing the necessary resources, especially for quality child care, to help families leave welfare for work. HR 4090 falls short in all of these critical areas, and therefore we have no choice but to oppose the bill.

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